

Traffic in the air How ground control knows where you are



What next for Italy? Signposting a chaotic path



Captive market The hard sell to new mothers

Today's surveys Turkish finance and industry



FINANCIAL TIMES

China to spend \$140bn to boost transport system

Europe's Business Newspape

China plans to spend 700bn yuan (\$140bn) by the year 2000 to overcome chronic transport bottlenecks that are bolding back economic activity. Foreigners will be encouraged to invest as partners in joint ventures or as sole operators in projects to build railways, highways, waterways, pipelines and civil aviation facilities. Page 16

Reformers ahead in Russia: The liberal reformist Choice of Russia political bloc, headed by first deputy prime minister Yegor Gaidar, is leading in the run-up to next month's elections, according to an authoritative poll. Page 16

Tietmeyer warns on rate cuts: European governments should not try to buy their way out of recession with interest rate reductions and devaluations, Bundesbank president Hans Tietmeyer warned. Page 2

C&W recruits Manley for Cuba talks:



Cable & Wireless, UK telecommunications group, has recruited former Jamaican prime minister Michael Manley to lead negotiations with the Cuban government about possible C&W involvement in modernising network. The talks signal a further:

relaxation by the Castro regime in its attitude to foreign investment. Page 16

Thailand plans reforms: The Thai government is planning economic reforms to liberalise the financial sector and reduce import tariffs in an effort to improve the competitiveness of commerce and industry. Page 4

Ulster weapons hauf: A consignment of weapons and explosives bound for Northern Ireland and including more than 300 assault rifles was seized by UK Customs officers. The shipment, from Poland, was destined for the loyalist Ulster Volunteer Force. Page 8

Policy defeat for Brussels: The European Commission bowed to opposition from EU finance ministers and published a watered down version of its guidelines to boost economic growth and halt rising unemployment. Page 2

VW board meets: Renewed efforts to lift Volkswagen out of the red will head a meeting of the automotive group's supervisory board tomor row. The company is estimated to be facing a loss of about DM2bn (\$1.1bn) this year. Page 16

Deutsche Bank's big Italian subsidiary, Banca d'America e d'Italia, is paying L470bn (\$277m) to buy a controlling stake in Banca Popolare. di Lecco, a profitable northern regional bauk. It is the biggest single investment by Deutsche in Italy since its 1986 takeover of RAL Page 17

Anger over airline subsidies: British Midland Airways, the UK's second largest airline, is considering legal action against the European Commission for failing to enforce rules against government subsidies for European state-run airlines. Page 3

Paramount battle rejoined: A Delawarecourt has decided in favour of QVC Network in its challenge to a \$600m poison pill arrangement designed to protect an agreed merger between Paramount Communications and Viacom. QVC had said its higher offer for Paramount depended on the court removing the poison pill.

Metallgesellschaft, the German metals, mining and industrial conglomerate, is unlikely to pay a dividend for 1992-93 after a swing from profits of DM245m last year to a pre-tax loss of DM347m (\$205m) in the year ended September. Page 17

Tate & Lyle increased annual pre-tax profits by 17.4 per cent to £222.5m (\$331.5m), above market expectations, which had been revised downwards when the sweeteners company warned of difficult trading conditions in North America. Page 23

Boys guilty of toddler murder: Two 11-year-old boys were found guilty of murdering two-year-old James Bulger in Liverpool, England. Sulger was lured away from his mother in a subur-ban shopping mall and battered to death with bricks and an iron bar in February. The boys were sentenced to be detained indefinitely.

Whisky galore: Fourteen bottles of whisky. part of the cargo of the SS Politician, which went aground in the Outer Hebrides off Scotland in 1941, sold for £11,462 (\$17,080) at Christie's in Glasgow. Page 8

E STOCK MARKET INDICES E STERLING

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Euro Disney loses a sixth of stock market value

By Alice Rewsthorn in Paris

Euro Disney_the troubled leisure group desperately trying to nego-tiate a financial rescue, lost a sixth of its stock market value

In heavy trading, its shares closed FFr6.20 lower at FFr27.20

London. The decline may complicate efforts by the company to restructure financially.

In Paris, the sbares slid after heavy selling from convertible preference bolders. More than 4.14m Euro Disney shares, or 2.4 per cent of its equity, had changed hands by the end of the day. The Paris stock market authorities were forced three times to suspend the shares when the price breached the offi-

Ms Rebecca Winnington-Ingram. European leisure analyst at Morgan Stanley in London, said: "It's pure panic.Investors are now very, very nervous about

Yesterday's decline followed steady selling since Euro Disney. which is burdened by heavy debt and has suffered in the European recession, disclosed an unexpectedly heavy net loss of FFr5.3hn

(\$900m) for the year to September

The latest fall in the sbare price, which peaked at FFr160 in

FFr43.70 before the announcement of last year's loss, comes at a sensitive time.

Euro Disney, with Walt Disney the US entertainment group that owns 49 per cent of its equity, began negotiations last week over the restructuring with the 60 international banks that own

April 1992 and was worth its FFr20.3bn net debt. Further share falls may cast a cloud over the negotiations by limiting the scope to raise capital through a rights issue. The Disney camp is believed to hope to reduce Euro Disney's net debt to FFr10bn.

> Poisoned apple, Page 17 World stock markets, Page 36

Cost-cutting hits 14,000 **Philip** Morris jobs

By Richard Tomkins in New York

Philip Morris, the US cigarette, food and beer group, plans a drastic restructuring to defend its brands from low-cost competi-

It is to close or scale down 40 plants worldwide: over the next few years, resulting in the loss of 14,000 jobs, about 8 per cent of its 168.000 workforce. The immediate effect will be to

produce a \$457m charge against net earnings in the fourth quarter of 1993, Another \$495m will be wiped ont by an accounting change relating to the treatment of severence payments.

The combined effect will be to

leave full-year 1993 net earnings 16 per cent lower than last year's \$4.9bn, the company said. But Philip Morris said the lon-ger-term effect of its action would

be to reduce operating costs by \$1bn-a year, producing extra funds for investment and increasing after-tax profits by about \$600m a year by 1997.

Investors appeared to welcome the cost-cutting plan. The company had said this year's earnings would be hit by a restructuring charge, and the shares rose \$5/8 to \$55 1/2 in anticipation of

future profits growth.

The move is further evidence of the pressure facing manufacturers of branded goods as consumers in depressed international markets buy cheaper products.

The group's brands include Marlboro - the world's biggestselling cigarette - Kraft cheese, Maxwell House coffee, and Miller Lite beer.

Earlier this year Philip Morris showed its determination to defend its US cigarette market against low-cost competitors by reducing the price of Mariboro and its premium brands by 20 per cent, so triggering a price war. Yesterday, however, the com-pany emphasised that the cost-

cutting plans were aimed not just at cigarette manufacturing, but at all its products. Mr Michael Miles, chairman, said they reflected the company's determination to be the lowest-cost producer in all its core operations. Philip Morris refused to say which plants would be closed or to offer any geographical break-down of the job cuts. It said most of the lob losses would result

efficient manufacturing methods. Some of the moves will take place before the end of this year. with the company seeking to minimise the need for compulsory redundancies. Philip Morris said all product areas would be affected, and all should show profits growth in the next financial year.

from the consolidation of manu-

facturing resulting from more

It said that its non-cigarette operations should report a 13 per



French miners among a crowd of 2,000 protesting at the breakdown of talks with the government clash with police in Metz, eastern France.

US may agree Blair House revisions

By Lionel Barber in Brussels and George Graham in Washington

Sir Leon Brittan, the European Union's chief trade negotiator, raised hopes yesterday that the US would agree to revisions in the Blair House farm accord to unblock progress toward an

trade talks. After two days of meetings in Washington with Mr Mickey Kantor, US trade representative. Sir Leon said the US and Europe were discussing differences over agriculture "in a positive manner". He declined to go into

detail.

Gett talks in Brussels next Wednesday after their meeting in Washington this week "defined the issues" and "discussed viable alternatives".

Although little concrete progress was evident after Tuesday's meeting. Sir Leon said the simple fact that his US counterpart was travelling week indicated that the talks were still alive. "He's a busy man and wooldn't come if there wasn't something worthwhile to discuss," Sir Leon said in Paris.

France has threatened to veto a Gatt deal unless it obtains satisfaction through changes in the 1992 Blair House agreement. An EU official portrayed the high-level talks in Washington positively, but emphasised that "considerable obstacles remain" ahead of the mutually agreed December 15 deadline for a deal among the III governments that are party to the talks.

For his part, Sir Leon had made clear that the EU would insist on specific demands being the andiovisnal industry and aeronautics - a reference to US objections to European subsidies for Airbus Industrie, He repeated the message in a brief meeting with President Bill Clinton.

The Brussels official said both sides had instructed their senior negotiators in Geneva to seek a preliminary agreement on all dossiers in time for Mr Kantor's next visit to Brussels, probably allow a draft EU-US agreement to be submitted to a special meeting of European foreign ministers on December 2.

"Sir Leon made clear that [Gatt] should not be a last-minnte deal," the official said. all main sectors, including a broad market access package, the creation of a Multilateral

Trade Organisation to replace Gatt, and agriculture. But EU officials said the exercise was to identify "bottom lines" rather than negotiating specific points.

French PM frustrated, Page 6 Editorial Comment, Page 15

Volvo shareholder deals blow to plan for Renault merger

By Hugh Carnegy in Stockholm and John Ridding and Kevin Done in Paris

Volvo's struggle to win approval for the planned merger of its car and truck operations with France's Renault suffered a serious blow yesterday when the first institutional shareholder to declare a final position said it

would vote against the deal. Although the so-called Fifth Fund state pension fund bolds only 1.3 per cent of Volvo's voting capital, its rejection indicated that an intensive effort mounted by Volvo to overcome objections by significant Swedish shareholders had failed to dispel widespread doubts about the merger

The outcome of a shareholder vote on December 7, already rescheduled from early this month, may now swing on a decision expected today from another state pension group, the Fourth Fund. It is Volvo's second largest shareholder after Renault, holding 7.5 per cent of the voting capital to the French group's 10 per

includes senior representatives from industry and the trade unions, including both supporters of Volvo and merger sceptics. deal, the prospect of Volvo winning majority shareholder

The board of the Fourth Fund

Intensive effort fails to dispel widespread Swedish doubts

Mr Bert Ekström, chief executive of the Flith Fund, said the fund rejected the merger because of uncertainties over the values implied in the agreement, which proposes a 35 per cent share for Volvo in the merged company. He said the fund, governed by

trade union, local government and state industry representatives, was also sceptical about French commitments to privatise Renault, despite written assurthe French prime minister, that his government intended to complete privatisation by the end of

Volvo this week secured Mr Balladur's assurances, contained in a letter to Mr Carl Bildt, the Swedish prime minister, and a promise that a golden share the state intends to keep in the merged company will not be used to dilute Volvo's 35 per cent bold-

These two issues have been the focus of criticism by Volvo sharebolder institutions. However shareholders have also expressed dissatisfaction with the lack of detail published on the valuation of the respective Volvo and Ren-

CONTENTS

Inti. Cap Mids Inti. Companies ... Markets

Commodities

support will be sharply dimin-ished. pany.

In an interview with the FT on Tuesday, Mr Louis Schweitzer,

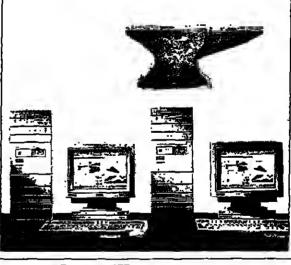
the Renault chairman, warned that a rejection of the planned merger would damage existing co-operation between Volvo and "The momentum would disap-pear" said Mr Schweitzer. He added that the disruption to the

merger process in recent weeks bad already slowed and destabilised efforts to build a joint management organisation. Mr Schweitzer went on to stress the industrial logic of the proposed merger. The cost savings which would result throngb joint purchesing,

Bourses ...

research and development and economies of scale would strengthen the two companies' car and truck operations. He also pointed out that European car markets showed signs of bottoming out, he forecast a modest recovery in demand from mid-1994. He said he was confident that Renault would remain profitable despite the protracted downturn in car and truck mar-Renault chief firm, Page 18 Equity Options . Wall Street

Managed Funds28-32 III Turketh Finance and industry _2627 III, Belgian Banking and Finance



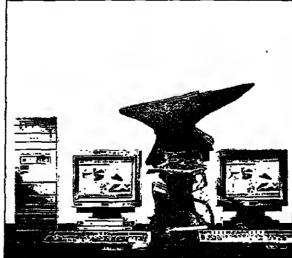
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Tradional Options

EU finance ministers force changes in paper on growth and jobs

Economic policy defeat for Brussels

By Lionel Barber in Brussels

The European Commission yesterday bowed to opposition from EU finance ministers and published a watered-down version of its guidelines to boost economic growth and halt ris-

ing unemployment.
The Commission's document avoids earlier calls for a reduction of 2-3 per cent in sbort-term interest rates, steers away from recommendations to broaden the tax system to pay for reductions in employment taxes, and

Brussels

line over

By Andrew Hill In Brussels

the European Union.

The European Commission

yesterday approved a proposed list of 129 countries whose citi-

zens will require visas to enter

But plans to draw up a "pos-itive" list of non-EU nationals

who would not require a visa

had to be dropped following opposition within the Commis-

So far Brussels is reluctan

to go further than national

governments in experimenting

with its new powers under the Maastricht treaty to initiate

legislation on immigration,

Bnt although cautious, Mr

Raniero Vanni d'Archirafi, the

internal market commissioner.

and Mr Padraig Flynn, com-

missioner responsible for

immigration, said yesterday that by strengthening external

frontiers, the measures proposed yesterday would beip

persuade EU member states to

lift controls on people at inter-

The Commission also pushed

through proposed revisions to

the European convention on

external frontiers, to take

account of the Maastricht

changes. Justice ministers will discuss the measures at their

meeting next week in Brus-

The proposals, including the

list of nationalities requiring

visas, follow closely work done by the nine members of the

intergovernmental Schengen

free travel agreement - all the

EU members except Britain,

If approved unanimously, the proposals will also mean

that EU countries will have to

The Schengen countries

have already agreed to abolish

all controls at internal from

tiers from February 1, 1994.

But Britain, Ireland and Den-

mark are likely to maintain

certain systematic passport

checks at their borders beyond

recognise each others' visas.

Denmark and Ireland.

nal frontiers.

justice or internal affairs.

visas

draws the

of creating 15m new jobs by the end of the century. Although senior Commission

officials played down the extent of the political defeat, other officials warned that a similar fate might overtake Mr Jacques Delors' White Paper on competitiveness and growth. The Commission president's long-waited paper is supposed to be the centrepiece of the European summit early next month. European finance ministers

picked holes in a summary of

By David Gardner in Brussels

The prospect of the European

deadline to bring in four new members hrightened yesterday after the European Commis-

sion proposed significant con-cessions on regional policy and

The enlargement negotia-

tions, begun last February, must be completed by March

in time for Austria, Sweden,

Finland and Norway to put

their proposed entry to referen-dum. All four countries' sub-

sidy regimes for their remote

or mountainous regions, and

for Arctic and Alpine farming,

mission agreed yesterday on a plan to offer each of the four

The European Commission

yesterday hit back at UK

demands to postpone imple-

mentstion of a Euro-law on

cleaning up sewage water pol-lution, claiming that Britain had not done its homework on

costs, and was trying to shift blame onto Brussels for expen-

diture it would have to make

Mr Kenneth Clarke, UK

chancellor of the exchequer,

told EU finance ministers on

Monday that Britain was seek-

ing a longer phasing in of the waste water treatment direc-

tive as part of a campaign to

review, and in soma cases

repeal, EU laws which impose

costs hindering competitive-

ness. Mr Clarke maintained

that the cost of implementing

the waste water directive

would be £10.5bn (\$15.6bn), or

five-times more than originally

thought, although be admitted

that the UK Department of the

Environment was responsible

But yesterday, Mr Ioannis

Paleokrassas, the EU environ-

for the miscalculation.

On regional policy, the Com-

are sensitive issues.

By David Gardner

agriculture.

eting its January 1995

larly his tentative proposals for work-sharing as a means of alleviating unemployment. Mr Delors is said to be determined to bypass finance ministers and deliver his paper direct to heads of government at the

December 10-11 summit. The Commission's "Broad Guidelines for the Economic Policies" of the 12 mamber states was published according to provisions in the Maastricht treaty. Commission officials

remote and poorer regions. The

strict definition of eligibility

for Objective I aid, invented for hackward regions like

Andalusia in Spain or the poor-est member states, Greece, Por-

tugal and Ireland, is an aver-

age per capita income below 75

per cent of the EU average. Brussels wants to offer it to

Burgenland, on Austria's Hun-

garlan border, Finland's three

eastern provinces, Lapland in northern Finland, and

Kuusamo which is in between

these two Finnish areas; the

four northern counties of Nor-

way: and Norrbotten, Sweden's

than the 12 EU member states

stance on waste water law

ment commissioner, queried

Britain's figures and motives

in launching its attack on tha

The British government has

a habit of shifting blame onto

Europe, he said yesterday, but this is "a debate between them

and the British people".
"Before complaining, the

British government should do

its homework more carefully,"

he added. Mr Clarke, was "either misinformed," Mr

Paleokrassas said, "or he has

some other motives which

have nothing to do with the

waste water directive." Other EC officials and diplomats

present at Monday's meeting

believe Mr John Major's Con-

servative government is con-

cerned about passing on rising

water costs in south-west

England, which could effect its

The UK claims the directive

will add £525 to average house-

hold water hills in 1995-2000.

and a further £12 in between

2000 and 2005, by which time

its provisions should be fully

implemented. The current

average for water bills is £193,

slim electoral majority.

waste water directive.

licants are richer

northernmost province.

Brussels attacks UK's

Prospects look brighter of meeting enlargement deadline

the Commission president's said the document had taken include an average inflation white Paper at a meeting in on added significance as a Brussels last Monday, particular framework for policy-making cent in the EU by 1996, against after the collapse of the exchange rate mechanism.

The guidelines agreed by the Commission yesterday include a general call for cuts in interest rates, wage restraint, lower budget deficits and government debt, as well as higher investment and alterations in the tax system.

The paper must still be approved by EU finance minis-

applicants the highest level of structural aid - so-called Objective 1 status - for their well above - the Objective 1 status - for their well above - the Objective 1 status - for their well above - the Objective 1

income threshold. But when

the 12 shared out the Ecu96bn

(\$109.4bn) Objective 1 pot in

led to a relaxation of the rules.

There were a lot of strands of

new elastic to hold [regional

policy] together for the 12," a senior official said, and this

flexibility is now being

Similarly, rules for state aids in remote regions will probably be more flexible to take

account of the huge distances

in the Nordic applicant coun-

tries, and their concern to keep

their inaccessible northern and

sion vesterday moved towards

on Monday that EU finance ministers should have closer

oversight of all Euro-laws

which placed new cost burdens

Mr Paleokrassas, a former

Greek finance minister, argued

• The waste water directive

along with all other directives

to clean up European drinking and bathing water, had been

passed unanimously by the 12,

· The UK to date has pres-

ented four different sets of fig-

ures: the original £2bn asti-

mate; a 1989 figure of £7bn-8bn:

Mr Clarke's £10.5hn; and an

additional £27bn to maintain

and improve the sewage system, which the UK acknowl-

edges has nothing to do with

The commissioner said UK

water costs were anyway well

below EU averages, and that

the jump in costs was due to

tha privatised water hoards

passing on the investment costs immediately rather than

taking advantage of the direc-

tive's greater flexibility.

resterday that:

with UK assent.

border areas populated.

extended to the four.

eases terms for entrants

3.8 per cent this year, and wage rises to be kept below one percentage point of productivity growth. The paper also urges member states in 1994 to pre-yent any further deterioration in their budget deficits.

Mr Henning Christophersen, European commissioner for economics, said there was never any intention to set specific macro-economic targets. This is not a planned econ-The only specific targets omy," he said.

In previous enlargements,

these differences were ironed out by border levies. Brussels

yesterday decided, however,

that there could be no retain-

ing of borders because of the

Instead, prices will be

aligned from the moment of entry, and direct compensation

will be paid to Nordic and

Alpine farmers. The intention

is that the applicants should pay for this compensation as

their consumers and taxpayers

do now. But officials acknowl-

edge that in the end, the EU

budget will have to bear part

of this cost, especially as all

four candidates will be net con-

NEWS IN BRIEF

French

deficit

Ridding in Paris.

for the year.

New interior

minister in Spain

railways

on line for

The French state-owned

railway network, SNCF, revealed yesterday it would

suffer a deficit on its operations of about FF17.3bn

(\$1.24bn) this year, writes John

The company blamed invest-ments in the modernisation of

tracks, the construction of

high-speed lines and improve-ments in safety standards. Spending in these areas is expected to be about FFr6.42bn

There was a 7 per cent drop in passenger traffic, put down to the recession, as were losses

of FFr2.5bn in the freight divi-

Mr Antoni Asuncion, Spain's

secretary of state for prisons,

has been named to replace Mr

Jose Luis Corcuera as interior

minister, writes Tom Burns in

Mr Corcuera resigned

abruptly last week after the

barrier-free Single Market.



Ready for the run-offs on December 5: mayoral conte Antonio Bassolino (above) of the Party of the Democratic Left in Naules and Francesco Rutelli (below) of the Greens in Rome.





Anti-Mafia candidate Leoluca Orlando (below left) celebrates in Palermo, while media baron Silvio Berlusconi makes public his support for Gianfranco Fini, the neo-fascist contender in Rome



Italian parties raise hopes of passing budget

planned austerity measures.

ment a tough budget that reduces the public sector defi-

Mr Ciampi was obliged to

worthwhile backing unpopular measures, such as pruning the civil service, which they had never fully accepted when first

Martinazzoli, the party secre-tary, said he would never be a party to sabotaging the budget. The 1994 budget envisages raisthrough spending cuts in order to reduce the public sector defi-

support the budget.

Italy's main political parties last night appeared to have reached a broad agreement on a formula to ensure parliamentary approval for the 1994 bud-get without undermining the

The basis for the agreement was laid in talks yesterday between Mr Carlo Azeglio Ciampi, the prima minister. and his three economic ministers with representatives of the principal parliamentary

The prospect of the budget passing through parliament with its principal objectives in tact prompted a recovery of the fire and a modest rise on the Milan stock exchange, in the previous two days the financial markets have been nervous about the prospect of the Ciampi government being able to carry out its pledge to imple-

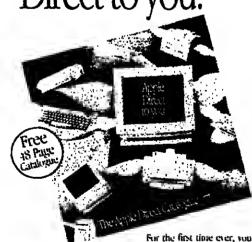
call the meetings on Tuesday when it became evident a num-ber of deputies in the Christian and Democrat party were threatening to withdraw their support. Their threat followed the disastrous performance of the four-party ruling coalition in last Sunday's local elections. In the wake of the poll, there have signs of serious strains within the Christian Democrats, the dominant partner of the coalition. Some deputies

However, the Christian Dem-ocrat leadership has issued a strong call to order. Mr Mino ing L32,000bn (£12.9bn), mainly cit to 8.7 per cent of GDP. Mr Cianpi has indicated the government is willing to consider small amendments providing the overall framework is unal-

Yesterday, representatives of the former communist Party of the Democratic Left (PDS) indicated they would be backing the budget after seeing Mr Ciampi. However, the PDS said it was anxious to ensure the budget was more explicit in providing measures to combat unemployment, with a jobless total close to 11 per cent.

As part of yesterday's meet-ings, the Christian Democrats and PDS were seeking to forge an agreement on avoiding extensiva amendments. That could mean the budget passing quickly through parliament. The Christian Democrats are also understood to be demanding that the Northern League makes a formal commitment of

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Court rebukes big retailers

The European Court of Justice has issued a atern warning that it is fed up with examining complaints from big retailers against national restric-tions which have no effect on

The ruling comes in tha waks of a series of cases hrought against national laws which prohibit Sunday trading. Court officials said the European indges wanted to deter retailers from making similar challenges in the future unless they can prove that national rules are discriminatory and a hindrance to the free move-ment of goods - one of the central planks of the single European market.

"There's an increasing number of these cases and I think their lordships are thoroughly fed up with them," said one European law.

The warning comes in the

against national laws which prevent retailers from selling everyday products at a loss to bring customers into their

sort to be judged by the Lux-embourg-based court was in December 1992, when the court decided that rules restricting Sunday trading in England and Wales were not contrary to

Madrid.

form of a judgment yesterday on a test case brought by two French supermarket chains

The European Court ruled that the national legislation restricting use of "loss leaders" was compatible with European law. The judgment means two managers from the big French supermarket chains Cora and Coop could be prosecuted for flouting the rules. The last British case of this

constitutional court revoked part of a security legislative package prepared by his minis-Russia urged to halt Aeroflot break-up

A senior Russian air transport official yesterday urged the government to consolidate the country's civil aviation industry and reverse Asroflot's break-up, writes Leyla Boulton in Moscow. Mr Valery Kosyanenko, dep-

uty chief of the transport ministry's aviation department, said that 160 airlines had emerged from Aeroflot, once the monopoly airline of the former Soviet Union, and that 161 new ones had been set up from

Almost every town with an airport in Russia has its own airline. Mr Kosyanenko suggested one solution would be to create holding companies consolidating several "airlines" and airports.

Fears grow of Russian energy shortages

By John Lloyd in Moscow

The supply of energy to industry and homes in Russia over the winter is at risk nuder the twin pressures of cuts in the budget and threatened mineworkers strikes. Mr Oleg Soskovets, first dep-

uty prime minister and acting absence on boliday of Prime Minister Viktor Chernomyrdin, has warned of shortages by early next year unless bil-lions of roubles are provided to energy producing indus-

ing yesterday, Mr Soskovets lambasted the Ministry of Finance for "behaving like an ostrich" in the provision of credits to the industry and said it had provided only half of a planned Rbs610bn to the energy sector.

Mr Soskovets said that Mr Boris Fyodorov, the finance minister, should be made personally responsible for the supply of finance to the energy sector. Temperatures plunging to -20 per cent below zero throughout Russia have do not get back payments for main industrial support for

hugely increased energy con-sumption, while supplies have been cut in some areas down to 30 per cent of normal levels; according to Mr Soskovets. Mutual debts of enterprises in, or heavily dependent on,

the energy sector are put at Rbs 8,000bn - a situation which is causing progressive paralysis, particularly in the

The flashpoint is the Vor-kuta coalfield, where miners have threatened an all-out strike from December 1 if they

the last three months. A report in the daily izvestiya reformers in the government. said Rhs100bn had been set Their 1991 strikes fatally aside for pay arrears - on the eve of a planned visit to Vorkuta tomorrow by Mr Yegor Galdar, first deputy prime minister and leader of Russia's Choice political group.
The Fuel and Energy Minis-

try said yesterday "an explosive socio-economic situation has developed in the coal regions" and said miners were due Rhs400hn in back pay. The miners have been the

weakened the tottering Soviet government, and strikes in 1988 signalled the first wides-cale dissatisfaction with the nolicies of Mr Mikhail Gorbachev, then Soviet president. In an interview with Izves-tiya, Mr Yuri Malyshev, head of the Rusugol coal enterprise, said a plan to shut 42 of Russia 236 pits which had run out of viable reserves would be put into effect between now and the end of the century.

Lada car becomes victim of success

By Leyle Boulton in Moscow

As western carmakers fight for markets, Russia's Avtovaz which makes the Lada, is in the unusual position of being unable to meet demand. Now Avtovaz is looking to

western capital markets and carmakers to help finance its expansion and modernisation. It considers itself lucky compared with other Russian man-ufacturers, many of them fighting for day-to-day survival and facing a continuing fall in out-

Earlier this week, the Moscow mayor's offica announced that Zil, the maker of presidential limousines and ordinary trucks, was switching to-a four-day week and could suspend production altogether. But at Avtovaz, Mr Nikolai Lyachenkov, the production manager, says: "We have man-aged to keep output at the same level as last year." His company makes around 650,000 cars a year. It is not worklowed. cars a year. It is only problems with suppliers in the former Soviet Union which prevent it reaching full capacity of im

cars, he says. A rare source of support for Avtovaz has been the hard-currency revenues from the export of 40 per cent of its output. Under the government's sweep-ing privatisation programme, the enterprise has been turned into a joint stock company and its 100,000 employees have already opted to acquire 51 per cent of the capital.

Next month, the government will auction off another 25 per cent in the form of vouchers distributed to every citizen of Russia, and a further 22.5 per cent will be offered to corporate investors at a special investment tender. But despite relishing the new indepen-dence afforded by the government's privatisation efforts, Mr Nikolai Glushkov, Avtovaz's deputy director for finance, does not place much hope in attracting any significant investment at either sale. Instead, once Price Waterbouse produces its first set of western-style accounts around

April next year, the company plans to attract foreign investors by increasing its capital. Avtovaz also hopes next year to produce a new family of pas-senger cars in the same class as the Vauxhall/Opel Astra. It is taking part in a separate industrial consortium which wants to produce a lower-quality car in the Opel Corsa range

a few years later. In the longer-term, says Mr Peter Rogers, a partner at Price Waterhouse which has been hired as auditors and advisers to Avtovaz, the com-

stock exchange listing. Avtovaz has been talking with potential foreign investors for three years now. in 1991, before the collapse of the Soviet Union, the Soviet car industry ministry hired Bear Stearns, tha US investment bank, to value the company, and Deloitts Tonche was involved in a first attempt to translate Avtovaz's accounts into terms understandable to western businesses. But that arrangement collapsed. The enthusiasm of Fiat, which was negotiating the possibility of taking a 30 per cent stake in Avtovaz also waned.

As Russian industry clamours for protection, Avtovaz executives say they are not bothered by the flood of Meredes, BMWs, and Cadillacs which makes Moscow a promising market for western luxury cars. "They will never be our competitors," said Mr Boris Kruyenkov, the compa-ny's deputy finance director. But as Avtovaz's domestic costs approach world levels, he says the government should be ready to protect it in future from the sort of imported cars which could compete with it.

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DENMARK



may sue over EU subsidies

British Midland Airways (BMA), the UK's second largest airline, is considering taking legal action against the European Commission for failing to enforce new rules against government subsidies for financially translated the second secon cially troubled European state controlled airlines.

Sir Michael Bishop, BMA's chairman, said yesterday his eirline was already taking legal edvice over possible action against the Commission.

He claimed Brussels was distorting the new liberalised European aviation market by failing to uphold the new rules egainst stete subsidiee to ensure fair competition in its third eirline liheralisation package which came into force

at the beginning of this year. Smaller airlines were enticed to expand their ser-vices in the new deregulated market on the grounds that the EU would stop state aid for netional flag carriers," Sir Michael said. With Brussels failing to clamp down on these subsidies, smaller airlines have been badly hit while bigger. financially troubled, stateowned carriers have been able to continue operating under the protection of large govern-

ment handouts, he argued. Troubled state carriers, including Air France, Air Por-tugal and Aer Lingus, are receiving substantial financial support from their govern- (SAS), which currently owns ments provoking, in Sir Mich- 34.9 per cent of the UK carrier.

ael's view, "a grotesque distor-tion" of the new EU open air-

"A number of smaller airlines are going bust, while the bigger companies which are really bust are being allowed to carry on through artificial supports," he said.

Sir Michael said he had already raised these issues with the EU competition and transport commissioners at a meeting of the European Airlines Association in Brussels last Priday

Although the UK government bas also campaigned against state support for European national carriers, Sir Michael also accused the Brit-ish government of distorting the UK airline market by failing to review last year's acquisition of Dan-Air, the Gatwick-based regional carrier, by Brit-

isb Airways for a nominal £1. The UK government has also let down smaller airlines by turning Nelson's eye to BA's takeover, first of British Caledonian and then of Dan-Air," he said. As a result BMA had been squeezed on two fronts in Europe and the UK. Unlike several other smaller

European airlines, BMA had been able to compete against the larger flag carriers because of its strong position at London's Heathrow airport, where it holds the second largest number of landing slots after BA, and its partnership with Scandinavian Airlines System

UK airline Spanish showdown on incomes policy

orkers in Spain are planning protests across the country today as the unions start to Talks between unions, employers and government have failed to secure a social pact and protests test the government on its attempts to secure an incomes policy for the next three years. begin today, writes Tom Burns Agreement on wage modera-tion is central to efforts by Mr Felipe González, the prime minister, to pull Spain out of

the negotiating process: "Rarely have I attended such recession. But three months of long meetings with so little to talks aimed at securing a show for them." The govern-ment would have preferred a social pact between unions, employers and government have produced nothing.

Both the government and unions are digging in their consensus, but it is determined to act alone because the reforms are "urgent and neces-

sary". The talks were prohably hoels. Mr González says he will force through measures to der-egulate the labour market and doomed from the start, in early October Mr González acknowiedged as much in an interview whether or not he has an agreement. He has put a November 30 deadline on the with the FT: "The great problem of (the social) pact is that the government has nothing to talks. Officials say emergency legislation will be put before the cabinet on December 3. give in exchange. We are ask-ing for an incomes policy to improve competitiveness, for changes in traditional collective bargaining procedures and for a modification of the labour of December. The prospect is market that will make it more flexible ... this requires a cul-

to peg wages below inflation.

The unions say they will fol-

low up today's protests with a

24-hour strike towards the end

now one of a government-

union showdown marked by

escalating industrial purest

that is likely to undermine

More talks on the social pact are planned for tomorrow but

it is unlikely anything can now

be agreed.
Mr Pedro Solbes, the econ-

omy minister, who drew up the reform package, sums up the

confidence in the peseta.

and this is very difficult." The unions may be blamed for intransigence hat the government can equally be accused of failing to face up to the unions in the past and of now attempting to do too much, too late. The rigidities concerning fixed employment conditions, severance terms

tural change in union attitudes

government's frustration over and job classifications that Mr Conzalez now seeks to loosen were enshrined in a Workers' Statute that was legislated by his government in 1984.

> During the economic growth period of the late 1980s, the government did little to curh inflationary wage agreements in public sector companies and forced up unit labour costs by transferring a growing social security hurden on to companies. At present 24 per cent of Spain's social security expendi-ture is financed directly by companies, against an average

of 9.8 per cent in the EU. Attempts hy the government to stimulate jobs were counterproductive or short-lived. A system of short-term contracts introduced in 1986 merely created a rotating system that had

Net jobs insucreated ('000)

At that time Spain, which was then not a member of the European Union, enjoyed a highly protected economy, had strong pent-up growth poten-tial and a cheap labour force. None of these conditions applies today as Spain enters its second year of recession. with the domestic economy contracting 1 per cent by the third quarter.

> and receiving unemployment heoefits, and a youth employ-

most costly and rigid labour market in the world and Spain employees alternately working

has the most costly and rigid

market in Europe," said the ment scheme was abandoned after a general strike in 1987. Barcelona-horn businessman. Mir Carlos Ferrer Salat, the In the midst of the worst chairman of Unice, the Europost-war recession that Spain pean employers' confederation. has endured, the government points out that Spain now has has now come round to facing double the the EU's unemploythe deep-seeted structural the IIS and 10-times that of the preventing job creation, even Pacific rim. "Europe has the

when the economy was flat.

Why does our economy only create jobs when it is growing by more than 2 per cent?" Mr Solbes asked e recent meeting of businessmen in Barcelona. "Why, even when we are booming, do we have unemployment levels of 16 per cent? How is it that in the midst of a recession, wages increases are above our inflation level and above those in other countries that are better off then Spain?" Mr Solbes, an economist, knows the answers perfectly well and he has brought Mr González round to understanding the nature of the problem. This is why the government has embarked on its go-it-alone course of imposing an incomes policy end reforming the

By Januery 1 Mr Solhes wants clear guidelines in place that will hold down wages to below inflation over the next three years. He also wants new employment contracts, permit job mobility, streamline redundancy procedures and lower severance costs, and which substitute sectorial collective wage agreements with case-hy-case deals.

Bracing himself for the forthcoming hout of labour unrest, Mr Solbes is talking tough: The country is in no position to have strikes. It has to get

French express optimism on deficit target

The French government said yesterday it would be able to keep this year's budget deficit to the original target of FFr317.6bn (£36.3bn), chiefly faction yesterday was made thanks to the influx of privation possible by charging some sation receipts and some jug-gling with social security

Presenting a year-end "rectifying" mini-budget. Mr Nicolas Sarkozy, the budget minister. said it had been a long time since a French government had "hit its deficit target to the very last centime"...

Since this year's budget was voted in June, the government has been able to make economies of FFr22.3bn. Half of this has come from smaller debt service charges (FF13.7bn) as e result of lower interest rates. and from this summer's big. "Ralladur bond" issue. The hond saved the government FFr7.8bn it would otherwise have had to pay in short term

The FFr22.3bn savings balanced out the recession-induced FFr3.2bn drop in tax receipts - which would have been far greater had not Paris paid FFr5.5bn less to the European Union budget than it orig-

ladur government has forked ing sector and to placate its

But Mr Sarkozy's self-satis-FFr4.5bn in school aid to the the few in the welfare system to be in surplus - and by using some of the privatisation receipts, which constitute backing for the Balladur bond issue, for current budget

Such ruses may become increasingly necessary if France is to stick to its commitment, contained in the Maastricht convergence plan it presented to EU partners this week, to reduce total French public deficits to 2 per cent of national output by 1997.

The credibility of this goal depends on the economy returning to growth in 1994. Mr Edmond Alphandery, the econ-omy minister, yesterday dis-missed October's 1.2 per cent drop in consumer goods sales as a blip in the meven path to recovery. Citing encouraging trends in housing starts and investment intentions, he held to his forecast of L4 per cent

'Helio, is there anybody there?' said the Future, You can ignore the future but it wen't go away. A truly integrated Europe is coming, in one form or another, sooner or later. Of this we can all be sure, indeed in many ways it is already here. There is for instance already a newspaper for Europe. It gives you a European perspective on business politics, society, culture and all that matters, it is published weekly, and read widely. For pleasure and for business. For information and for stimulation, is there anyhody there? Yes, Yes, Yes, we are kere in our millions. Europe is changing. Are you standing still?

Bosnian Serbs ease blockade on aid convoys

United Nations aid convoys exercised crossed front lines carrying emergency relief for central and eastern Bosnie while Serb leaders called for the lifting of punitive sanctions against Yugoslavia.

Serb commanders in eastern Bosnia yesterday finally allowed the passage of three convoys carrying food for the Moslem enclaves of Tuzla, Zepa and Srebrenica, which have been designated UN "safe areas", said Miss Lyndall Sachs of the UN High Commissioner for Refugees (UNHCR).

But Serb leaders continued to block the passage of food and winter supplies for another "safe area", Gorazde, south-eastern Bosnia, as they apparently tried to push forward towards the Mosiem enclave. UN military observers yesterday reported heavy Serb artillery fire on the enclave. At the same time, two convoys headed for UNHCR warehouses in Zenica, central Bos-

nia. Overland convoys were

on October 26 after a Danish lorry driver was killed. The leaders of the three warring parties last week pledged to allow free access for relief. Serb leaders stepped up

their campaign for the lifting of UN sanctions, imposed 19 months ago in response to the carve-up of Bosnia. Mr Rado-van Karadzic, Bosnian Serb der, called on the UN to suspend sanctions on what remains of Yugoslevia. "We must not rely only on hints to suspend sanctions. If the international community wishes talks to succeed, it must suspend sanctions now and allow the Serb side to be fully equal in the talks," reported Tanjug,

the official news agency. But remarks by Mr Momcilo Krajisnik, a Bosnian Serb leader, yesterday cast doubt on new peace talks with the 12 European Union foreign ministers in Geneva next Monday. The Serbian side would apparently seek a postponement, although he added they would

path to freer market

The Thai government plans a series of economic reforms in the coming months, with the emphasis on liberalising the financial sector and reducing import tariffs to improve the competitiveness of Thai commerce and industry. Mr Tarrin Nimmanahaeminda, finance

minister, said yesterday.
in an interview with the Financial Times, Mr Tarrin said the first step was to expand the scope of operations which can be undertaken by the 47 banks granted offshore banking licences under the Bangkok International Banking Facility (BIBF).

The plan was to allow BIBF licence holders from early next year to open additional hranches outside Bangkok and start lending in local currency up to specified limits, although they would not be permitted to accept local deposits and would have to raise funding from the money markets. "The BIBF would he upgraded into restricted branch operations."

be granted access to Thailand. Now, foreign hanks are allowed only one branch and cannot have electronic banking outlets except on their prem-

The hope was that the Uru-guay Round of world trade talks would be successfully concluded this year. Thailand was planning "massive" cus-toms tariff reforms, involving lowering those on raw materi als imports, making tariffs more logical, and cutting the number of rates to six from 31. Import tariffs would be progressively reduced, indepen-dent of reductions due under the Asean Free Trade Area and the General Agreement on Tar-

This is a big move for Thailand. What you will see in the longer term (say three years from now) is a much freer market, much more vibrant imports; you'll begin to see more investments taking advantage of this and turning

iffs and Trade, to expose Thai

husiness to competition.

be allowed to open additional it around to exports," Mr Tar-conventional hranches and more such institutions would Commercial Bank, added. Although the five-party

coalition government of which Mr Tarrin is a member is unstable, economic reform plans are at an advanced stage and generally supported by technocrats in the bureaucracy, if not by industrialists in protected sectors such as petrochemicals. The Thai economy continues

to perform robustly despite the weak state of Thailand's export markets in Europe and Japan. Export growth is expected to reach only 10 per cent this year, compared to a forecast 15 per cent, but this is mainly the result of weak agricultural commodity prices; electronics exports are still rising sharply and the domestic market remains strong.

Mr Tarrin said he expected real gross domestic product to increase 7.5 per cent this year and 7.5-8 per cent in 1994. Inflation this year has fallen to about 3.6 per cent, but inflationary pressures next year would probably prompt a rise

Lee risks losing face on Taiwan vote trail

Dennis Engbarth on the first time the president has publicly sought the support of the people

Taiwan's President Lee Teng-hui is putting his prestige and political future on the line by publicly campaigning for candidates of his ruling nationalist party, the Kuomintang (KMT), in city and county elections to be held on Saturday.

The election is the first to take place since Mr Lee completed the process of bringing the Taiwan government and the KMT under the control of Taiwan-born leaders this year. The results could affect the stability of his hold on power and the progress of liberalising political and economic reforms. Mr Lee said last week that his campaigning marked the first time in Taiwan's - or China's - history "that the head of state has directly faced the

County and city mayors have wide powers over their districts. They exercise control over local police forces, grant husiness and development licences and arbitrate environmental or labour disputes. This makes them the focus of intense contention among political and financial inter-

Of most relevance to the ruling party is the fact that mayors also oversee the administration of elections.

The KMT bolds 13 mayorships. The main opposition Democratic Progressive party controls seven cities and counties. There is also one city run by a pro-DPP independent. Further erosion could dam-

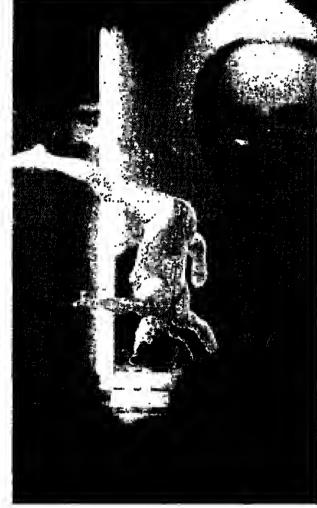
age the KMT's hopes in elections next year for Taiwan provincial governor and for the mayors of the hig Taipei and Kaohsiung municipalities. in a blow to the KMT's for-

tunes yesterday, a senior member of the party defected to the opposition Chinese New Party, which was formed in August by a group of rebel KMT legis-Mr Hsu Li-nung, a veteran

leader of the ruling party's conservative wing and a member of its central advisory com-New Party because be was disgusted with rampant corrup-

On the campaign front, Mr Lee's longer-term aim seems to be bis ambition to hecome Taiwan's first directly-elected president, says Mr Huang Huichen, executive director of the institute for National Policy Research think-tank.

Mr Lee was elected indirectly in 1990 by the National Assemhiy to a six-year term. There are moves to submit a constitu-



Gymnasts entertain a crowd at an election rally in Taipei under the portrait of KMT candidate Tsai Sheng-pang

tional amendment to allow direct presidential elections before his term expires.

Despite previous denials about running for president, Mr Lee last week left the door open when he told the China Times newspaper: "It's not yet time to make a decision." "If Lee wants to continue his reforms, he needs to firm up

the KMT's control at the local level or else his control over the KMT itself may weaken," Mr Huang notes. Mr Lee and the opposition DPP were often indirect allies

in past confrontations with more conservative mainlandborn KMT leaders. The last powerful mainland-born leaders were sidelined by Mr Lee at the 14th KMT Con-

gress in August. This now pits "a Taiwanese KMT against a Taiwanese DPP," says Mr Mr Lee'e greatest risk on the

campaign trail is that he may wear out his welcome among the electorate which has indicated widespread approval of his moves to liheralise Taiwan'e political regime.

"The main result of this cam-paign will he the disappearance of the Lee Teng-hui loveknot," says Mr Chao Shao-kang, convener of the New

"Many voters forgive him for

everything as he's the first Taiwanese president, but his dic-tatorial ways won't he tolerated forever." Mr Chao says. Meanwhile the DPP is campaigning primarily on the clean and generally effective performance of its mayors. Like those of the New Party, DPP candidates have also pointed to a series of big cases of corruption or inefficiency, including delaye and cost overruns of KMT-run Taipel city's mass transit system.

Thailand sets out on Pressure Jordan bank deal imminent for Japan

Liberation Organisation are close to signing an agreement which will give the Central Bank of Jordan (CBJ) wideranging monetary responsibilities in the occupied territories during the transitory period of Palestinian self-rule

nomic adjustment phase, Paleetinian monetary and hanking committee will he established to oversee the not create fresh demand," said Mr Mieno, responding to sug-gestions that the bank might bank's policies in the territobe considering another cut in ries. This will include CBJ offiits main rate, already at a record low.

As he spoke, the Ministry of International Trade and Indus-try disclosed that industrial production dropped by 3.8 per cent year-on-year in the third quarter, the eighth quarterly decline running. Worryingly, inventories

discount

rate cut

resisted

By William Dawkins in Tokyo

Japan's central hank

yesterday resisted pressure for another cut in the official dis-

count rate, despite a continued stide in industrial output.

of the Bank of Japan, admitted to "grave concern" about the continued falls in share prices, which bronght the Nikkei

index down another 1.8 per

cent yesterday. A fall of 317.73

points to 17,067.11 reflected deepening gloom about Japa-

nese industry's poor profits

ontlook. But "in the current eco-

Mr Yasushi Mieno, governor

were 1.1 per cent higher at the end of September than three months earlier. This indicates that production will stay singgish at least until the end of the year, Miti said.

To worsen the gloom, the Japan Automobile Manufacturers' Association announced the sharpest monthly drop in vehicle production for 19

Vehicle output, which with car sales is an important indi-cator of consumer sentiment, plunged 15.7 per cent in October from a year earlier. Mr Mieno saw no sign of a reneral economic recovery, but doubted that a the recession would develop into a worsening spiral",

The central bank had "taken all necessary steps in terms of monetary policy," after cut-ting its main rate seven times since July 1991, to 1.75 per Japan's economic health had

not changed either way since the most recent rate cut in Jordan and the Palestine

A draft copy of the document gives Jordan's central bank the joh of supervising and monitoring hanks which open branches in the West Bank and Gaza Strip. It provides for the continuation of the Jordanian dinar as legal tender during the interim period. And it gives the CBJ ultimate responsibility for control of the money supply in the occupied territories and inflation and capital flows. Mr Mohammad Nashashibi chairman of the PLO's department of economic affairs and planning, says once the agree ment is signed within the next few weeks, a joint Jordanian/

cials and Palestinian economists approved by the PLO. The agreement is still pending approval by the PLO in Tunis which remains nervous about giving too much control to the Jordanian monetary authorities. PLO officials insist the arrangements will be tem-

Mr Michel Martou, deputy governor at the central bank, says it is happy to play the role of supervisor but before the agreement enters into force it must Iron out differences with Israel over foreign exchange controls and the convertibility

banks in the occupied territories will operate solely under Jordanian law. It also provides for Palestinian companies in the territories to issue shares on the Amman financial market. An official appouncement is expected by mid-December. Meanwhile, Palestinian offi-

One of the first tasks of the

central bank will be to help

branches in the occupied terri-tories. Eight banks operating in Jordan, including the Brit-

ish Bank of the Middle East and ANZ Grindlays, have expressed an interest in re-

opening branches closed after

draft agreement stipulates that

The Jordanian/Palestinian

the 1967 war.

cials have announced plans to establish a mixed-sector Palestinian Bank for Development and Reconstruction in the West Bank town of Jericho. Mr Nashashibi says the bank's capital will come from wealthy Palestinian businessmen and the PLO and will be used to develop housing, industry and

Egyptian President Hosni Mubarak (left) and Jordan's King Hussein inspect the honour guard in

agriculture. The Palestinians eventually want their own central bank, currency, and a Palestine stock exchange. But Mr Mohammad. Saed Nabulsi, Jordan's central. bank governor, recently said in a speech to Jordanian busimen that such ideas would

"After a short period of romance, with their own cur-

Cairo yesterday. The king is hoping to improve relations soured during the Gulf War in 1990 rency and a central bank, the reality will prove to the Palestinians to be a big mistake," he said. He argued that the mone-tary responsibilities of the CBJ in the occupied territories should be seen as a step towards economic unity with Jordan and confederation.

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Since the announcement of the PLO-Israeli peace accord, Jordan has been concerned about economic marginalisation by both Israeli domination of the Palestinian market and foreign aid aimed at developing the occupied territories to the exclusion of Jordan. However, monetary and banking respon sibilities in the occupied terri-

Plan to move into occupied zone

Jordan's two biggest commercial banks, Bank of Jordan and Arab Bank, are preparing to open 30 branches in the occu-pied West Bank and Gaza Strip to serve the Palestinian economy, due to be self-governing by April.

Israel and the Palestinians have yet to

agree on future economic relations in trade, money and banking, but the Jordanian banks, controlled by Palestinian money, have proceeded to buy land and start buildings.

The only bank operating in the territories is Cairo-Amman Bank which has of Jordan, said his bank was ready to open its first branch in Ramallah in January. The building merely awaited furniture from Italy.

He expected to be conducting operations in both the Israeli shekel and the Jordanian dinar, which would come under control of the respective central banks of Israel and Jordan. Interest rates would vary according to the currency lent. All foreign exchange business and issuance of letters of credit would have to come under the Israeli central hank. Commercial banks operating in the Palestinian economy would have to establish correspon-dent banking relations with Israeli com-

mercial banks to carry nut foreign exchange transactions.

Arab Bank, one of the biggest banks in the Middle East, has also said it will open up to 24 branches across the occupied territories over the next two years. The

first are planned to open in six months in Nablus, Ramallah and Hebron. The first Palestinian bank, Palestinian Commercial bank, is also to open eight

to go ahead with planning branches appears to suggest the bankers have concluded detailed negotiations with the central banks of both Jordan and Israel and

India and Pakistan to resume talks

By Shiraz Skihva in New Delhi

India and Pakistan are to resume talks on bilateral prob-lems, including the status of Kashmir, after a gap of nearly 15 months

Mr J.N. Dixit and Mr Shahryar Khan, the foreign secretaries of India and Pakistan, agreed to meet in Islamabad from January 1-3, under an accord signed by the two countries in 1972 after Pakistan lost to India in a war over Bangladesh. The talks had been postponed for more than a year as

relations between the two between India and Pakistan. neighbours reached their worst point in 20 years. India has consistently held

that Kashmir is a domestic diste to be resolved internally. and has accused Pakistan of training and funding Kashmiri militants engaged in armed warfare in the Kashmir valley. Pakistan has denied the allegation and insists on interpreting the so-called Simla Agreement of 1972 in the light of a United Nations resolution of 1948 providing for an internationally supervised plebiscite through

An Indian foreign ministry official said that the recent peaceful resolution of the month-long stand-off between armed Kashmiri separatists and the Indian armed forces at Hazratbal, Kashmir's holiest shrine, and Islamabad's subsequent inability to move a resolution on the human rights issue at the UN general assem-bly paved the way for talks. Both nations appear to be responding to US pressure to

resolve the Kashmir dispute through talks Mr PV Narasimha Rao, the

Indian prime minister, had India would not tolerate interexpressed India's readiness to resume a dialogue in his con- that Pakistan should stop fundgratulatory message to Ms ing infiltrators fighting a sepa-Benazir Bhutto, the newly ratist war in the Kashmir valter.

The Hindu right-wing Bbaratiya Janata Party, India's largest opposition party, yesing Congress government should convene a meeting of all Indian political parties before resuming talks with Pakistan. Mr Krishan Lal Sharma, the party spokesman, said Pakistan must be told that

not be raised in international

Officials on both sides are sceptical that the talks will resolve the Kashmir dispute which has hindered relations between the two countries since partition in 1947, and over which two wars have heen fought. But they agree thet the resumption of talks is "a step in the right direction".

Keating unlikely to testify before inquiry into newspaper ownership By Nikki Talt in Sydney

Australia's prime minister Paul Keating yesterday indi-cated he was unlikely to give evidence to a Senate committee which would look into foreign ownership of Australian newspapers. Approval for the new committee is expected later this week, after its terms of reference were tabled in parliament yesterday.

Under these, the committee would look into "the origin and basis for decisions in 1991 and 1993 to increase the permissi-ble percentage of foreign ownership of newspapers" and "whether those decisions were infinanced by considerations

relating to the content of newspapers including the requirement for "balanced' coverage". It would also consider the effectiveness of Foreign Investment Review Board rules.

The committee would be made up of four senators from the ruling Labor party, four from the opposition, and one nominated by the minority Australian Democrats. It could request that people appear before it, but could not demand they give evidence.
The committee's formation

has been spurred by disclo-eures that Mr Keating demanded more balanced coverage from the John Fairfax newspapers, including the Syd-

The ministry also announced it would extend the limited amnesty for illegal guest workers

Some 15,000 of the estimated 60,000 illegal

for the six-month amnesty in June. They were

foreign workers in South Korea registered

originally required to leave the country by

ney Morning Herald, Melbourne Age and Australian Financial Review, as a precondition to any increase in the stake held by Mr Conrad Black, the Canadian media tycoon.

The conversation between Mr Keating and Mr Black took place before the federal elec-tion. After the March election, ths cabinet approved an use from 15 to 25 per cent in Mr Black'e interest. But the prims minister.

under attack over the Fairfax decision during parliamentary question time yesterday, told the opposition: "Listen, brother. . . I know my place in the world. I do not slum it before

Mr Keating defended the overnment's handling of the Fairfax issue, denying any impropriety had occurred, and accused Mr John Hewson, the opposition leader, of promising Mr Black a much larger stake. ● Chances of passage this year of the government's contentious land rights legislation, to set up a system for dealing with native title claims, dwindled yesterday when the two Green party senators gave con-ditional support to a Senate

inquiry into the package.

The government lacks a minority parties hold the balance of power.

ministers ruled out in Cambodia Prince Norodom Ranariddh, Cambodia's first prime minis-ter, yesterday rejected as

Guerrilla

unconstitutional a suggestion by King Norodom Sihanouk, his father, that the Khmer Rouge guerrilla faction could be offered ministerial roles in government, Renter reports from Dev Eith, Cambodia, "The constitution prevents us appointing any people not members of the parties which have members in parliament," Prince Ranariddh told Khmer

Rouge defectors being inducted into the army. By failing to respond to government peace offers, the guerrillas ran the risk of disappearing. But the guerrillas might be offered a role as special envoys to report on the sovereignty of Cambodia's common borders with Laos, Thailand and Viet-

nam, he added. King Sihanouk earlier proposed to offer "acceptable" Khmer Rouge officials posi-tions as co-ministers, co-deputy ministers, co-secretaries of state and advisers in the new coalition government led hy Prince Ranariddh. The Cambodian constitution forbids appointment of non-elected

people to parliament. The Khmer Rouge, held responsible for the deaths of lm Cambodians during the 1975-79 "killing fields" years, have sought an advisory role

Seoul tough line could delay quick end to nuclear dispute Team Spirit angered Pyongrequest, explaining the treaty

By John Burton in Secui

South Korea has reasserted its influence in the negotiations to resolve the North Korean nuclear issue, but at a possible cost of delaying a quick solu-

tion to the dispute.
In his meeting with President Bill Clinton in Washington on Tuesday, South Korean president Kim Young-sam sidetracked a US proposal that would have suspended the joint Team Spirit military exercise in return for North Korea accepting the resomption of routine international nuclear inspections and exchanging Pyongyang has to make the

special envoys with Seoul to discuss nuclear issues. Instead, the two leaders said

the North would have to fulfil the two conditions before concessions would be made. The statement amounted to a rejection of a recent North Korean proposal that Washington and Pyongyang make simultaneous compromises as part of a pack-

age solution. South Korea has been concerned about recent US press reports that Washington was seriously considering the North Korean offer, which conflicts with Seoul'e position that

South Korea bowed to cries for help from struggling small manufacturers and announced yesterday it would admit 20,000 foreign workers to fill unskilled low-paid jobs that locals shun. Reuter reports from Seoul.

A Justice Ministry official said the workers would be permitted to stay for periods of up to two years.

The main worry expressed

by South Korean officials was

first concession. The unease felt by South Korean officials over the North's proposal was that it would lead to direct focus on inspections conducted by the International Atomic negotiations between Pyongyang and Washington, leaving Seoul on the sidelines.

that the talks between Washington and Pyongyang would puts. Seoul demanded last year Energy Agency (IAEA), ignor-ing the issue of inter-Korean muclear facilities in compliance with a bilateral non-nuclear Mutual nuclear inspections

for another six mouths.

that North Korea accept inspections of suspected treaty that North and South Korea signed in December between the two Koreas lie at 1991. Pyongyang refused the

press Pyongyang by asking Washington to resume the annual US-South Korean Team Spirit military exercise this year, South Korean foreign ministry officials say. Team Spirit had heen suspended in 1992 as a goodwill gesture by Washington in

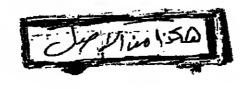
did not support this demand.

response to North Korea's signing of the non-nuclear treaty with the South. Shortly after, Pyongyang agreed to accept routine IAEA inspections of its autumn's decision to resume

in response, Seoul sought to Last March, it threatened to pull out of the nuclear non-proliferation treaty and stop IAEA inspections, citing resumption of Team Spirit as one reason,

demand that it accept inspections of undeclared facilities. Some analysis believe North Korea refused the IAEA request for special inspections because it would have created a precedent for accepting similar inspections by South Korea. the issue at the centre of their nuclear facilities. But last disagreements over mutual inspections.

and protesting at an IAEA



Figures point to accelerating pace of growth

US factory orders ump in October

Reports of a sharp rise in factory orders yesterday provided further confirmation that the pace of US economic growth is accelerating.

The Commerce Department said new orders for durable goods rose 2 per cent last month and 8.7 per cent in the year to October. This was broadly in line with analysts' projections and followed reports of a big rise in the Pur-

chasing Managers' Index.
Mr Ron Brown, commerce secretary, noted that orders rose in eight out of 10 leading industrial sectors, indicating the recovery in manufacturing was broadly based.

Increases in orders for capital goods indicated the economy's productive capacity was rising in line with higher con-

The rise in orders occurred in spite of an 11.6 per cent fall in defence orders last month. reflecting continuing budget retrenchment at the Pentagon Much of the strength in the civilian economy was concen-

trated in the volatile transport sector, where orders rose 5.5 per cent between September and October.

Aircraft orders rose an erratic 48 per cent. However, excluding both defence and transport, orders rose a respectable 2 per cent last month - a sign that recent falls in long-term interest rates have increased demand for durable goods.

Orders for non-defence capital goods, excluding aircraft seen as a guide to civilian per cent in October, the eighth increase in nine months.

Many forecasters are predict-ing growth at an annual rate of 4 per cent or higher in the current quarter. But the growth rate is widely expected to mod-erate early next year because consumer apending has run ahead of personal incomes. The Treasury is moving its Savings Bonds Division into the Bureau of Public Debt and is eliminating several political appointments from the US Mint, Mr Lloyd Bentsen, the Treasury secretary, said yester-day, AP-DJ adds.

The restructuring steps are aimed at cutting bureaucracy and improving customer service, Mr Bentsen said in a

press release.
"In both cases, we looked at the environment we're operat-ing in and we said it's time to change. What made sense a long time ago doesn't make sense now."

Incorporating the Savings Bonds division into the Bureau of Public Debt will help improve the marketing strategy for bonds, he said.

decency rules likely to be dropped

By Jurek Martin in Washington

The US government may not set rules barring the televising of "indecent" programmes between dawn and midnight, a federal appeals court has

Such a prohibition, promulgated by the Pederal Communications Commission last year on the instructions of Congress in order to

Constitution's First Amendment right fringed individual constitutional rights. of adults to view such material. according to the unanimous verdict of the DC-based court.

The bench's three members, Chief Judge Abner Mikva and Judges Patricia Wald and Harry Edwards - all appointed by President Jimmy Carter - are considered to be among the most liberal interpreters of the constitution. Last week it struck down the military's han on homosexuals because it in-

At issue in this case was the question of obscene, but not violent, programming. The main commercial networks have a system giving early warning of materials reckoned to

contain excessive violence But about 60 per cent of US bouseholds now pay for caple television service, a lot of which is devoted to both violent and suggestive programming. However, the courts

choice in buying their programmes.

The Clinton administration, keen not to appear soft on obscenity, may appeal on this latest judgment to the Supreme Court. Ms Janet Reno, the attorney general, has frequently spoken out against the content of TV programming and is under instructions from the president to toughen the child

Brazilian finance minister set to quit race for presidency

tor runs out next year and be had been widely seen as a pres-

idential bopeful. As a former

academic and foreign minister, he has strong support from for-eign investors. However, his

intellectualism was seen as a

barrier to winning popular sup-

port. In opinion polls released

at the weekend Mr Cardoso

had only 7 per cent support. His withdrawal from the

presidential race should

improve the now slight

chances of a successful eco-nomic reform package being

approved before the elections.

The government needs con-

gressional support for its 1994

hudget, due to be announced

later this week, and other

structural changes aimed at

tackling inflation of close to

2,000 per cent a year. But some

By Angus Foster in São Paulo

Fernando Henrique Cardoso, Brazil's finance min-ister, has signalled his withdrawal as a possible candidate in next year's presidential elec-tions by promising to remain as a minister instead.

Finance ministry officials say Mr Cardoso has written to President Itamar Franco sayng be will not run in presidential, senatorial or gubernatorial elections next October.

Technically, Mr Cardoso could change his mind before April 2, the deadline for candi-dates to announce they will run. But analysts said such a reversal would be politically damaging and provide an easy target for opponents.

Mr Cardoso's term as a sena-

important political groups had been opposed to the measures because they feared a success hoost Mr Cardoso's election

Mr Cardoso's letter suggests he needs more time to implement the reform measures. which involve spending cuts and are therefore likely to be difficult to implement in an

According to the polls, Mr Luiz Inacio Lula da Silva of the left-wing Workers Party (PT) is the presidential favourite with 31 per cent, while his nearest probable rival is the right-wing mayor of São Paulo, Mr Paulo Maluf, with 12 per cent. How-ever, analysts said these ratings could change considerably



British writer Salman Rushdie (left), the subject of Iranian death threats, embraces Alan Lightman of Massachusetts Institute of Technology after being named honorary visiting professor

Mexico to loosen curbs on labour

in Mexico City

8 NT N 2

The Mexican government is to reform the federal labour law in an effort to increase worker

The new law would scrap the seniority clause that restricts the ability of some companies to promote workers. It would also speed resolution of disputes between management and unions by replacing the current labour conciliation and arbitration panel with more streamlined tribunals;

The president has also sent Congress new laws to allow foreigners to operate trucks. and buses in Mexico. and would permit foreign investment in maritime transport, The law also extends the maximum concession for private

Washington

life wears out

Clinton aides

toll roads to 50 years. "What we are seeing are the internal changes that are nec-

essary to compete under the North American Free Trade Agreement," says Mr Mario Dehesa an economist with Grupo Financiero Serfin. "We cannot compete with our hands tied behind our backs."

Mexico's labour arbitration panels can take two years to resolve cases, which is usually not in the interest of either the els are heavily influenced by the government, which can generally resolve high profile labour disputes as it wishes.

The proposed reforms to the labour law will be sent to Con-gress before December 15, a senior government official said. They were welcomed by Mexico's business community. which sees the complicated and detailed regulations as an obstacle to productivity. Labour unions are believed to be opposed to some of the

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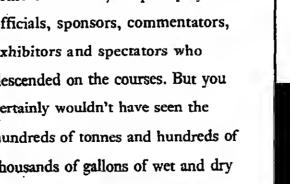
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Mr Paster put it best. "There are no recesses or weekends. The beeper and the phone

of intensity." For those with children and, as in his case, a

Jimmy Carter before him, has publicly urged his staff to take more time off, but he takes lit-tle himself - 10 days on Cape games of golf notwithstanding and nor does his highly professional wife, Hillary. They both reckon they have a lot to

private dinner parties around town can never be guaranteed. It may be true that their

not conspicuously riven by competing internal camps. people of comparable experi includes a father who was FDR's interior secretary.

is said not to like very much. Before leaving he shared the home for

Two members of the team are going Thanksgiving and staying, reports Jurek Martin

Thanksgiving is the uitimate American holiday because far more than any other, including

Christmas, it reunites families. The Wednesday before and the

Sunday after it are the year's

busiest travel days. For 96

hours, the country pretty

Even the hyperactive Presi-dent Bill Clinton and his fam-

ily are ensconced for today's holiday in Camp David, the presidential retreat in Mary-

land's Catoctin Mountains he

much shuts down.

traditional turkey at a Washington church hall providing free dinners for those without homes or families to go to.

There is a particular poignancy at this Thanksgiving for Mr Clinton and those who sweat loyally for him. For be has just lost two senior

he has just lost two senior members of his team – Mr Howard Paster, White House head of congressional liaison, and Mr Roy Neel, deputy chief of the White House staff – who have declared that they want to spend more time with their families than one turkey dinger with allow ner might allow.

It might seem odd that they should go after the great Nafta triumph for which both, with Mr Paster particularly visible, worked so hard. But for once this classic political excuse may be valid and no one in Washington, an eternally suspicious town, was seriously questioning it this week.

spouse with a career, balancing the priorities of life can get skewed, as the suicide of Vincent Foster, Mr Clinton's old friend and legal counsel, horribly demonstrated this summer Mr Clinton, like President

do and not much time to do it

Similar motivation inspires the White House staff, many very young and more than willing, given the chance of a lifetime, to put in the seven-day weeks, 15-hour days, that have become routine. Most of their favourite bars and cafes are those that stay open very late and their attendance at

lives have not been made easier by unsophisticated technology in the White House itself and by successive staff reorganisations after early difficulties. Mr Neel, long an aide to now Vice President Al Gore, was transferred in the summer to help Mr Mack McLarty. chief of staff, while a few internal feathers were ruffled by the arrival at the same time of Mr David Gergen, the ex-Republican political spinner. But the Clinton White House is

Mr Paster and Mr Neel, both Washington veterans, knew what they were letting them-selves in for and ultimately got out, without apparent regrets. Yet they will be replaced by ence, like Mr Harold Ickes, the experienced New York operator whose own political lineage

'We got nothing we wanted in Washington' - Balladur

French PM frustrated in farm talks

By David Buchan in Paris

French Prime Minister Edouard Balladur yesterday told a meeting of more than 400 of his conservative govern-ment's backbench MPs that we have obtained nothing. . . of what we have asked" from this week's Washington talks on Gatt.

He spoke after his trade minister, Mr Gérard Longuet, was briefed on the outcome of the Washington talks by Sir Leon Brittan, Europe's Gatt negotia-tor, who on his return from the US yesterday stopped over at

Taking a robust line in front of his parliamentary majority, Mr Balladur said he would not respond to American calls that he should show "leadership" in the Gatt talks if that meant abandoning French national interests. The prime minister's pessimism was echoed yesterday by the French Foreign Ministry which said, that "at this stage, there is no sign of progress" on the main Gatt ues dividing the US and the

European Union. Equally, however, there was

Gatt was doomed. Mr Longuet noted that Sir Leon had left some of his officials behind in Washington to continue talks, and that France's concern was to stay in permanent contact with the negotiators. In the end-game under way

in the Uruguay Round, France is increasingly frustrated at not being able to play a direct part on such issues as agricul-turs and audiovisual broadcasting, where it has taken a particularly tough line. Officials say they are confident Sir Leon will advise them and other EU governments on the state of play, but complained that Mr Longuet did not get this from the European commissioner vesterday

In view of the December 15 deadline which France now implicitly accepts, Mr Balladur said yesterday he would want to know "the state of things in the first days of December" so he could consult his ministers, his coalition and European partners. Gatt will top the agenda at next week's Franco-German summit in Bonn, which will precede a EU for-



European trade commissioner Sir Leon Britian at a press conference after US-EU trade talks in Washington

US Congress set to press on with retaliatory financial services law

The US Congress is expected to press shead next year with legislation authorising retaliatory trads measures in the financial services sector, even if the immediate need for the bill as a negotiating weapon in the Gatt talks has disappeared

The Treasury had hoped that the prog-ress of the "Fair Trade in Financial Services" bill through Congress would increase their leverage to persuade countries such as Japan, South Korea, Indonsia, the Philippines and Brazil to improve their offers to increase access to their financial markets as the Uruguay Round of Gatt negotiations draws to a close.

The bill would allow the Treasury to

restrict the expansion of banks and securities companies from countries which do not offer equal access to American busi-

headway in recent visits to some of these countries, but are wary of predicting the outcome of the talks on financial services. which remains, from the US perspective, one of the biggest stumbling blocks to an overall Gatt agreement.

Although the Senate banking commit-tee's attempt to agree on the bill's language was held up by an unrelated dispute on legislation to allow US banks to open branches outside their home states, in the House of Representatives the subcommittee on international development, finance and trade completed work on a draft.

The House has in the past been the most difficult obstacle to passage of similar retaliatory legislation, largely because of differences of opinion between the banking, energy and commerce and ways and means committees. Congressional aides expect, however, that this time these divergences will be smoothed out,

These aides say that whether or not the Gatt talks are completed by the US deadline of December 15, the legislation will be

In the event of a successful Gatt deal, it would be required to enforce the two-tier approach that US negotiators are seeking to apply in the financial services area, discriminating against "free riders" which have not opened their markets.

Other aides caution, however, that the language of the bill, which has been carefully wrought to exclude the European Union from any retaliation threat, is so closely tied to the Gatt talks that it would need to be completely reworked in the event of a breakdown, or if the US fails to win the exemption it is seeking in the financial services sector from the obligation to apply the most favoured nation

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Germany and UK share Gatt worry

By Judy Dempsey in Bonn

Germany and Britain are concerned that failure to meet the December 15 deadline for the Uruguay Round of interna-tional trade talks will let the US distance itself further from Europe, diplomats said yester-day. Speaking on the eve of the annual Anglo-German summit, which will take place in Bonn, officials said the collapse of the Uruguay Round, whose deadline is December 15, would be "catastrophic".

"Germany and Britain are so dependent on exports. It would

be very damaging if there was no agreement," a British offi-cial said. But a senior German official went further in highlighting what it would mean for Europe as a whole.

The case of Nafta, and the talks in Seattle with Asian countries last week, was the first time in which Europe was not involved. This is a signal. Despite what is said in public to the media, the US ami Canada are focusing on Asia, and shifting away from Europe." The official added that while the Urnguay Round will be "very much top on the agenda"

Germany and Mr John Major, British prime minister, parallel talks between trade, defence and foreign ministers will focus on social, bilateral and security issues. These include: Ways to tackle unemployment in the European Union. British officials implied the Delors white paper on reducing unemployment was "too Keynesian", adding that they would prefer to seek more emphasis on training, flexibil-

ity and innovation:

in the one-day summit between Chancellor Helmut Kohl of

continuing opposition to pro-posed federal subsidies for Ekostahl, eastern Germany's largest steel mill on the grounds that the modernisation of the mill will contribute to over-capacity in the steel Security, particularly ways

cials are angry about Britain's

in which to bring the countries of eastern Europe - and Russia - closer to Nato. German officials yesterday said there is still disagreement in Bonn about how to define, let alone extend security guarantees to

Negotiators down in the dumps over US draft

Washington set to take on the world in clash over anti-dumping proposals, writes David Dodwell in Geneva

gift to trade negotia-A gift to trade negotia-tors in Geneva is expected to be an unwelcome set of proposals to reform rules disciplining international

A clash over anti-dumping rules has long been anticipated by negotiators in the Uruguay round of talks on global trade liberalisation. Five separate texts have been presented in six years, and all bave been rejected. The draft imposed at the end of 1991 was an arbitrated text, never agreed.

At the heart of the conflict has been a fundamental difference between the US - as a principal user of dumping laws and a flerce defender of its national prerogatives in this area - and the rest of the world, which at one time or another has felt victimised by what is seen as arbitrary use of unfair rules which lead with near-certainty to the conclusion that dumping bas occurred.

But in the calm before the storm that is expected to erupt when the US list of amendments lands on desks across

merica's Thanksgiving Geneva, officials recognise that something will have to be done to accommodate US concerns that the present text unreasonably weakens its power to act.
"I pray it will be the mini-

mum," one said. From January this year, the US flagged its intention to challenge the existing draft text in the teeth of near-universal opposition from the other 114 countries negotiating

annears quite menared to null the plug on this issue. This would pull down the agreement we have on subsidies, which in turn would pull down our agreement on farm trade. The pack of cards would col-

dutles and fines against imports that are alleged to be sold at prices below those charged in a domestic market - as creeping protectionism.

As customs barriers have

the Uruguay round. "The danger is great," one negotiator said. "The US

Most countries see the grow-ing use of anti-dumping laws -

fallen over the past decades, so dumping actions appear to have become the protection-

ANTI-DUMPING: CASES INITIATED (JULY TO JUNE)										
	89-84	84-85	86-86	86-67	87-68	88-88	89-90	90-91	91-82	92-60
Australia	70	63	54	40	20	19	23	48	76	61
Canada	26	35	27	24	20	14	15	. 12	18	96
EU	33	34	23	17	30	29	15	15	23	33
us	48	61	63	41	31	25	24	52	62	. 75
Other developed countries	1	0	2	5	S	12	5	9	21	
Developing countries	o	o	3	4	13	14	14	41	39	35
TOTAL	178	193	172	131	123	113	96	175	237	254

ist's weapon of first resort. According to a recent World Bank study, average tariffs in the US manufactured goods sector would be 23 per cent today, compared with a nominal level of less than 6 per cent, if they were adjusted to account for the impact of dumping duties on imported teel, textiles and care - the industries most affected.

As the number of dumping actions initiated has risen steeply since 1988, so an increasing number of countries have introduced their own anti-dumping laws - and bave proven willing to use them. India and Japan initiated actions in 1992 for the first

Developing countries, which until 1985 had never initiated dumping action, have initiated around 40 a year for the past three years. Significantly, the US was the target of 20 dumping actions in the year to June 1993 - overtaking Japan (the target of just 13 actions), which is so often seen by the US as a leading "dumper".

n January this year, Mrs Carla Hills, the outgoing LUS trade representative, asked the international Trade US industry.

Her successor, Mr Mickey Kantor, has since reversed the Kantor, has since reversed the anti-dumping text, attacked request, but not without the draft as "highly political",

prompting questions on whether the higher import costs arising from dumping duties damage the competitivenes of US companies.

This has not prevented supporters of domestic antidumping policy from mounting a fierce defence of the existing regime, and an effective campaign pressing the US administration to lengthen its list of proposed changes to the intended Uruguay Round agreement

In the House Ways and Commission to study the net . Means committee three weeks impact of dumping actions on ago, Mr Eric Garfinkel, a leading Bush administration negotiator on the Uruguay round

and "not a balanced or wellressoned document". He detailed the need for vari-

ous amendments, which seem likely to appear in the list presented to negotiators today. These include: Scope and standard of

review: the US fears the draft will allow Gatt panels to revisit the facts presented in a domestic dumping inquiry, rather than examine whether laws had been fairly applied. Circumvention: the US says the draft will allow offending countries to side-step dumping duties by shifting production to other countries. It wants the power to put duties on "like goods" being exported to the US from third countries without fresh investigation.

• Sunset: the proposed draft says a dumping duty will expire after five years unless a review shows dumping is still occurring. The US objects to the need for fresh proof of dumping. Over 30 of the 268 dumping duties currently in effect in the US have been in place for more than 20 years. Start-up: particularly relevent to high-technology indus-

tries, the US objects to rules which would allow companies to charge prices that are below true production cost during the start-up period before full economies of scale have been achieved. It wants the length

of start-up to be defined De minimis: the Uruguay round draft would block dump-ing inquiries if the effective dumping margin were less than 2 per cent, or if the volume of dumped product - and injury to domestic competitors - is "negligible", defined as less than 1 per cent of the domestic

market. · Standing; only governments are entitled to bring a dispute to Gatt under the present draft. The US wants non-government bodies to be able to bring actions - notably trade unions

or environmental groups. The list of proposed smend-ments was promised for last Wednesday. Successive postponements have frustrated other negotiators, and added to the prickly array of outstanding issues that must be resolved by December 15 if a

Japan to offer rice compromise

By Emiko Terazono in Tokyo

Japan is likely to present its official proposal to open its rice markets after the US and the EU manage to reach an accord on agriculture on the Uruguay Round.

A senior Japanes government official told Japanese reporters vesterday "Japan is involved in negotiations to prepare a plan it deems acceptable.

Until now, the government has been reluctant to reveal that it was under talks over the lifting of its rice ban. forward officially a compromise plan under which it will accept rice imports of 4 to 8 per cent of its domestic mption for six years,

in 1999. The government wants to appease domestic opposition by leaving a decision up in the air, and it is unclear whether such a proposa would be acceptable to its trade partners.

and reach a decision over

tarification of its rice market

This announcement appears as a matter of record only.



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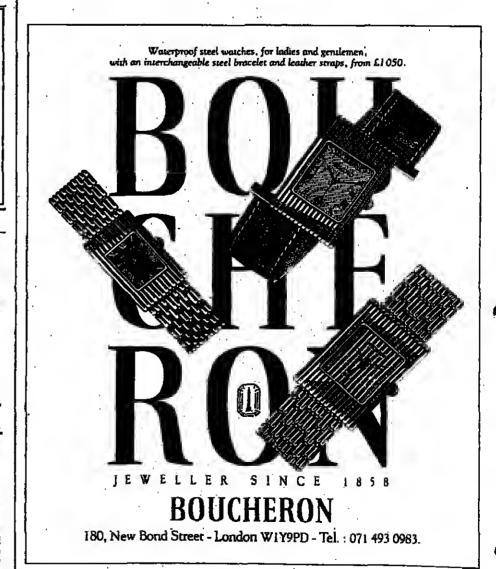
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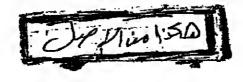
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U.S. \$400,000,000 in accordance with the terms and of the short-rained coapery which is being n conditions of the Notes, the interest among the period of the Notes, the interest rate for the period 26th November, cane, their adverses and descriptions, full puriod to 28th November, cane, their adverses and descriptions, full puriod at 3.75% per annum. The interest statement of their obtains and the same period to 28th February, 1994 will be U.S. \$9.791665 per U.S. \$1,000 Ber 1612, Nicosan, Cypres, the liquidate of the same field.

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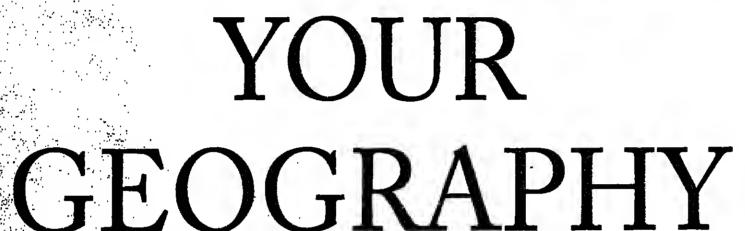
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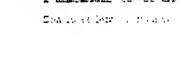


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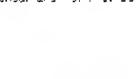












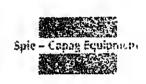


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Unionist veto hangs over NI peace move

The Ulster Unionist leader Mr James Molyneaux urged Mr John Major yesterday to drop his search for a comprehensive constitutional settlement for Northern Ireland in favour of a a new Ulster assembly.

Mr Molyneaux, who holds an effective veto over the prime minister's efforts, said the groundwork for all-party talks on devolved government could be completed in two weeks.

Resumed talks should focus on the creation of the 85-seat legislative assembly - the model for which was drawn up in abortive talks last year, in an ioterview with the Financial Times, Mr Moly-neaux said there was "a fair chance" that Mr Michael Ancram, the Northern Ireland

minister, would be able "within a week or two" identify common ground between the province's political parties. Despite the latest sethacks Downing Street signalled Mr Major's determination to press ahead with his efforts to find a settlemeot by establishing a group of senior ministers to

But Mr Molyneaux said the Major-Reynolds initiative was doomed to fallure. Dublin tutional claim to Northern Ireland in return for "something which has the same effect as the territorial claim." Asked if they should break

off negotiations, he said: "It's futile, isn't it, because unless they could get agreement to something which was as significant and acceptable to the IRA as joint authority leading on to Irish unity then it is not going to make any difference to the so-called peace process". He said Dublin's proposals

would put in place "a structure that would bring about the unitory." The draft paper had "all the designs and a good many of the paragraphs" of the ini-tiative launched by Mr John Hume, the leader of the mainly Catholic SDLP, and Mr Gerry Adams, president of Sinn Fein. He described Hume-Adams as a "fiendishly clever operation" to secure Irish unification

 A large consignment of pons and explosives bound for Ulster terrorists was seized by Customs officers at Teesport yesterday. The loyalist Ulster Volunteer Force admit-ted that the shipment had been destined for them.

The shipment, from Poland contained more than 300 AKM assault rifles, and was the big-gest haul of weapons destined for terrorists selzed in Britain.

'Phoney war' heralds start of ITV restructuring

By Raymond Snoddy

Britain's National Heritage secretary Mr Peter Brooke yes-terday launched a "phoney war" for the future of indepen-dent television by proposing that each ITV company can own two large regional

licences - but not yet.
The big potential TTV predators sat on their hands and waited for the first move

in the restructuring of ITV. licence must continue to be The surprising lack of activ-held by two separate compaheld by two separate compaity, with most ITV shares moving up only a few pence, was caused by the need for both Arguments that Scottisb Television and HTV, the ITV Houses of parliament to approve the change and invescompany for Wales and the

In London the weekday and

the weekend broadcasting

West could be protected from: tor fears that many ITV com-panies are already highly takeover from other large ITV companies were rejected. . priced following takeover spec-The government also rejected pleas from newspaper

publishers to be able to own

more than 20 per cent of an

ITV company but promised to keep both ownership restrictions under review.

A number of ITV companies issued bullish statements. Mr. Leslie Hill, chairman of Central, whose share price shot up from 2083p to 2170p, said he was confident that the company would now be able to achieve its ambition of becoming one of Britain's leading international players.

expected to pounce when the

time is right. Meridian Television said the changes would allow the compeny to expend in the broad-casting market. Meridian's natural target is Anglia Television If the price is not too high.
 Granada, which owns 20 per cent of London Weekend Television, is expected eventually

Carlton, which already owns to launch a takeover bld 20 per cent of Central is widely against the London company. The fact that the government has decided to set a maximum limit of two licences makes it very unlikely that anyone will tackle financially troubled Yorkshire-Tyne Tees, or acquire any of the five smallest companies such as Grampian or Border. By doing so they would forfeit their chance of acquiring a large licence.



Fourteen bottles of Scotch whisky, part of the cargo of the SS Politician, which ran aground in the Outer Heinides off Scotland in 1941, sold for £11,462 at Christie's in Glasgow. The wreck of the Politician inspired Sir Compton Mackenzie's novel Whisky Galore. The 1949 film, pictured above, immortalised the story of the thirsty islanders who plundered the wreck and thwarted officialdom

Groundsmen told how to deal with diehard fans

By Jim Kelly in London and Frank McGurty in New York

The passionate devotion of English football fans to their clubs appears to have survived the national team's exit from the World Cup. In fact it appears to survive beyond the grave.

An article in FC, the trade magazine for football clubs, reveals that large oumbers of supporters are having their cremation ashes spread on the pitch at their local club.

The discouraging news for groundsmen is that this can be bad for the grass. A useful tip is to sprinkle ashes upwind, away from the playing area,

David Conn, the aothor, believes that he has discovered a mathematical relationship between a club's average atteodance and the number of fans seeking immortality on the field.

Manchester United, for example, attract 40,000 fans to home games and estimate that between 20 and 25 people have their ashes sprinkled at Old Trafford every year.

In contrast Bolton Wanderers attract 8.000 and about four times a year a fan is allowed to cast caution to the wind at Dean Court.

Mr Conn concludes that every 2,000 regular supporters produces one a year who seeks a more permanent relationship with their favourite club

than a Saturday afternoon visit.

Liverpool, FC eays, tries not to refuse any requests but adds thet space is running out. Arsenal does not like scatterings but allows urn burials on the sidelines.

At Manchester United the sprinkling is accompanied by a service. At Manchester City relatives are welcome to return to pay their respects at any time.

Paris St Germain, current leaders of the French First Division, can recall only one request from a fan asking if he could have his ashes spread on the pitch. He never rang back but

the clob hopes he is still alive. In the US, the devotion of baseball fans does not yet seem to extend to the hereafter. Mr Rich Levin, a spokesman for Major League Baseball, the organisation representing the 28 top professional teams, said he had

never heard of such a request. Jay Horowitz, director of media relations for the New York Mets, said that, in his 15 years with the club, no supporter had asked for his remains to be scattered on the field at Shea

But not everyone feels it is necessary to ask permission. Last month, when the friends and family of a

deceased Boston Red Sox fam decided to comply with their loved one's request to have his ashes scattered at Ferrway Park, they simply joined a guided tour of the stadium, a shrine of America's national pastima

Each of them, according to the Bos-ton Globe, carried some ashes in their pockets and gradually sprinkled his remains in the dugouts, in the stands in the locker rooms, even in the bath-

Last April, on the opening day of the sesson at hallowed Wrigley Field in Chicago, a Cub fan sprinkled the ashes of his late cat, Cubby, over the

BT cuts cost of fraud calls to head off rivals

By John Gapper, Banking Editor

British Telecom has reached a deal with banks and credit card companies to halve the cost of electronic fraud checks on card purchases. BT was warned that it might otherwise lose business to Mercury, or US telecommunications compa-

Mr Peter Maclend RT's sales director, said yesterday that BT believed it could reach simflar deals discounting price in return for higher volume in other corporate markets. He said BT had responded rationally to competitive pressures. BT has agreed a new pricing structure with credit and debit card companies for "on-line" verification of transactions that cuts prices in return for higher volumes. It could save banks a total of about £25m.

annually within three years.

The more on-line checks made by a bank, the less it will be charged per call. Seven banks process transactions, and they were in talks along with the Visa, Switch, Diners Club, American Express and

Mastercard groups. BT said that it could not disclose the new prices because individual contracts were now being discussed with banks. But banks said the cost per call would fall to between 2.5p and 3.5p next year, and to between 1.9p and 2.9p by 1996.

BT has established a new network called 0900 Cardway Dial to handle the calls. "I

think we have stolen a march on AT&T (the US telephone company) and Mercury. No doubt they will respond in due course," said Mr Macleod. Mr Mervyn Gibson, Visa's director of inherbank processing, said banks had co-operated because of the growth in card fraud. "That galvanised them. If it had not been for fraud,

they would have just haggled by themselves," he said. About 200m checks are expected to be carried out this year, which is only about a fifth of card transactions. Banks think the share of transactions checked could rise to 45 per cent by 1996, giving an

annual volume of 1bn calls. Banks have blamed the high costs of calls for the fact that relatively few purchases have been checked up to now. Some 90 per cent of card transactions are authorised in the US, and all Visa purchases there will be

checked from next May. BT faces competition for domestic corporate services from Mercury, and AT&T is also attempting to gain a licence to compete in the UK. Banks have become worried about fraud in recent years

because it has grown rapidly. Fraud cost the industry about £165m last year, but the figure is expected to fall at least 10 per cent this year because of added security. BT is currently negotiating with banks, and has offered to introduce lower charges in time for Christmas when about 20m transactions · are authorised.



of coal every day your neighbors?

Can you burn 1344 tons When the Vartan power plant was built in 1903, it stood on the outskirts of Stockholm. As suburban dwellings and still be friends with encroached around it, the city's demand for electricity and heating grew, and so did local concern for the

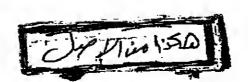
environment. The oil-fired furnaces at Vartan were costly to run and produced excessive emissions. Coal was dirty, too, and nuclear power was being phased out. Neither was it viable to relocate the plant.

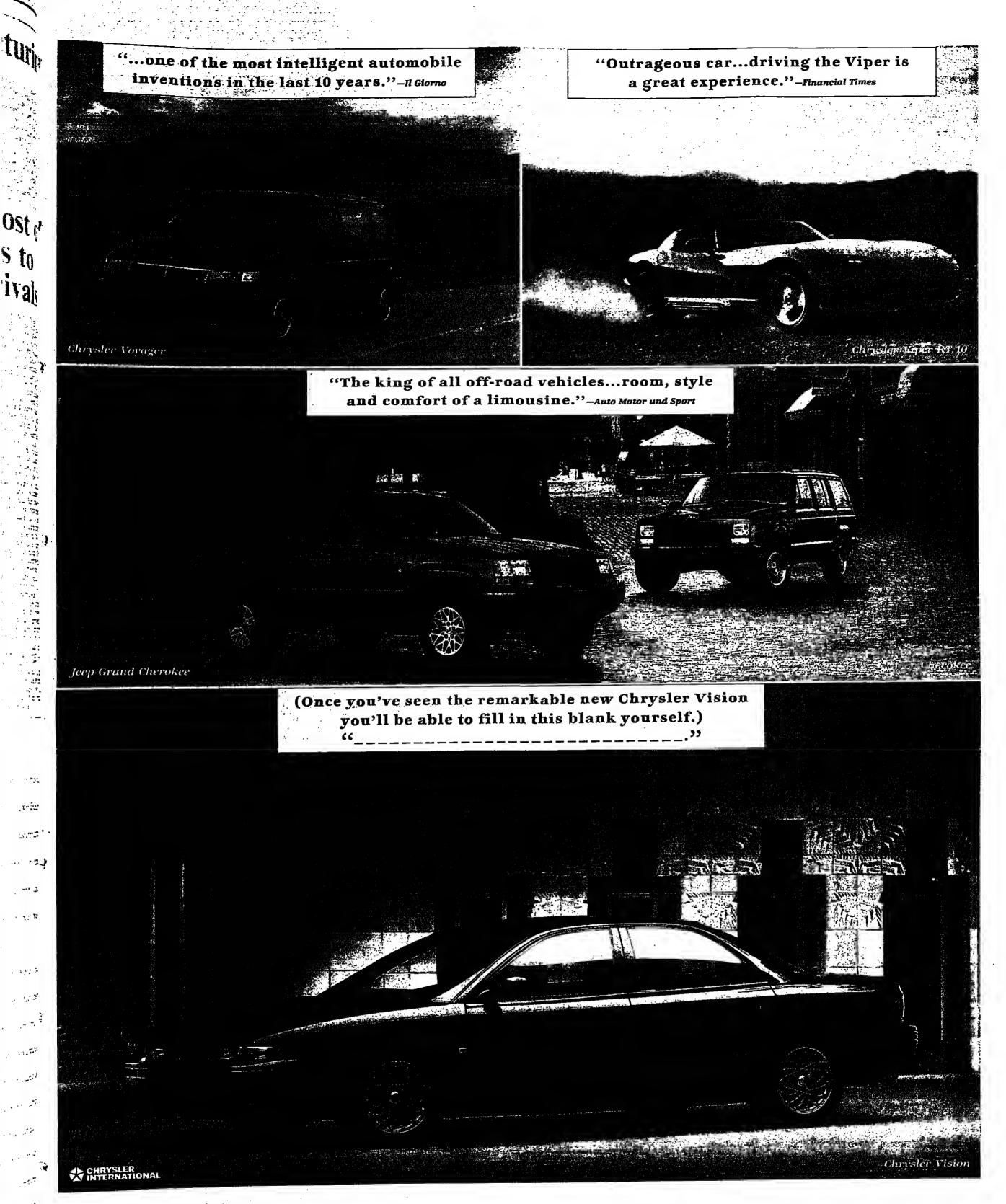
The answer lay in the new clean coal technology developed by ABB, the unique PFBC system. Compact and modular, it consumes less fuel than conventional methods, creating efficiency gains of 15% and more. Moreover, it provides clean power: emissions are low and the only waste product is harmless granular ash, which can potentially be used as a synthetic gravel. Installed by Stockholm Energi at Vartan in 1991, ABB's PFBC has satisfied both the capital city's rising energy needs and Sweden's most stringent environmental standards. As a leader in electrical engineering for the generation, transmission and distribution of power, and in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB local operations are decentralized and flexible. That means we are close at hand to help our customers respond swiftly and surely to technological challenges which stretch the limits of the

possible. Like turning a power plant into a better neighbor.

Yes, you can.







If you'd like some professional examples to guide you, they do exist. Le Figaro says that the Vision is "a 'tour de force' from Chrysler's designers." Auto Bild simply calls it "one of the best cars in the world."

Their enthusiasm is understandable. With its new cab forward design, the Vision combines the nimbleness of a sports sedan, the roominess of a touring car and the safety of driver and front passenger air bags. We

think that the Vision is the perfect addition to Chrysler's family of distinctive vehicles. And clearly, we're not the only ones who think so.



Built to set you free.

Security services face scrutiny over spending

By John Willman, Public Policy Editor

Next week's Budget will for the first time include details of the spending incurred by the UK's intelligence and security services, the government announced yesterday.

The move was disclosed with the publication of the Intelligence Services Blli containing measures to open Britain's secret services to scrutiny hy a committee of six parliamen-

In his first appearance at a press conference, Sir Colin McColl, the head of the Secret Intelligence Service (MI6), said that he welcomed greater openness about the service's work in gathering intelligence overseas. It was important for his staff and for people who helped them to know that the government remained committed to the service after the end of the cold

However, Sir Colin said that he would prefer not to take a higher public profile, or have his photograph

Service (MI5) which is responsible for counter-intelligence work inside the

When the Central Intelligence Agency went open in the 1970s, it worried a lot of their people. I want to send our people a signal that we are not going to open everything up," he

Public expenditure plans for the next three years will include esti-mates of the aggregate hndget for

published in the same way as Mrs MI5, MI6 and Government Communi-Stella Rimington, head of the Security cations Headquarters, the electronic ine the expenditure, administration eavesdropping organisation based at Cheltenbam. Separate figures will not be published in case this alerts opponents to shifts in emphasis. For the first time, the services' budgets will be open to scrutiny by the National Audit Office, parliament's financial

watchdog. The new Intelligence and Security Committee will be appointed by the prime minister from among MPs and peers, following consultation with the

and policy of the services, but not

operational matters. The committee will present an annual report to the prime minister which will be isid before parliament. All three services will be subject to similar requirements for obtaining warrants to enter or interfere with property or intercept communications. A new commissionsr will review warrants and authorisations and report annually to parliament.

Britain in brief

Valleys aid plan 'failed' to save jobs

The value of the initiative launched by the government in 1988 to regenerate the south Wales valleys is cast into

doubt by a report. doubt by a report.

It shows manufacturing employment in the area has fallen faster than in Wales as a whole and that for every factury opened, almost two have closed. The first five years of these transfers of the control of the c the programme saw public funding by the government and European Community of 2770m. A second five-year pro-gramme was launched in April with grants increased to

Data code not

used by 30% An estimated 200,000 to 250,000 computer or data users should have registered with the Data Protection Register under the terms of the Data Protection Act but only 150,000 have done so. This means that a third of data users may be using per-sonnel information illegally, Mr Eric Howe, the Data Protection Registrar told a select par-lamentary committee of public accounts. The Act requires those who hold information about people to register details of their activities with the reg-istrar. Failure to do so can result in a fine of £5,000 in lower courts and an unlimited fine in higher courts. The Act also gives individuals the right to examine data held about them in a computer system.

New approach to treat Aids

A possible new approach to Aids treatment has emerged from laboratory tests at St domew's Hospital, London, of a drug being developed for cancer. Scotia, a pharma-centical company, said that its anti-cancer compound EF13

infected with HIV. The drug did not harm uninfected ceils; indeed it made them more resistant to future HIV infection. The next stage will be to organise clinical trials for RF13 as an Aids drug, which could take several years. EF13 is one of many candidate drugs showing activity against HIV in the test tube.

Creditors to get 90% back

Investors and creditors of Edington, the Manchester mer-chant bank which went into administration in April 1991, are likely to get more than 90 per cent of their money back. Mr Philip Ramshottom, joint administrator and head of corporate recovery at KPMG Peat Marwick's Manchester office, will pay another 11p in the pound before the end of this month. The distribution, worth £3.1m, is the fourth, and brings the total paid so far to £24.2m, or 85p in the pound.

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Steel complaint against Europe

The British steel industry could collapse with the loss of up to 120,000 jobs if govern-ment action is not taken against other European countries who heavily subsidising their own steel industries, a conference of 24 local authorities in steel producing areas were told. "We are the mugs of Europe", said Mr Keith Brookman, general secretary of ISTC steel union.

UK carriers lobby on VAT

British Airways and British Midland Airways, the two leading rival UK carriers, showed a rare common front to lobby MPs at Westminster against the threat of the introduction of value added tax on domestic UK air travel in next week's budget. Sir Colin Marshall, BA's chairman, and Sir Michael Bishop, BMA's chairman, warned that VAT on air fares would bave "disastrous and harmful effects" by undermining the current fragile recovery

in the industry.

They claimed VAT would add around £40 to the typical return business fare and £20 to a typical promotional return

Iraq exports 'had lower priority, official says

The senior government official responsible for Britain's export controls prior to the Gulf War admitted yesterday he was more concerned with the antiques trade than equipment used to build up Iraq's military

Mr Eric Beston, head of the Department of Trade and industry's export control branch from 1985 to 1990, said he had greater priorities than exports to Iraq.

Much more of his time, he told the Scott Inquiry Into arms for Iraq, was taken up on antiques and beritage issues that involved "large expensive things owned by rich and pow-

period there were what, at the time, seemed much bigger

Earlier, the hearing was told thet officials who could have intervened to stop machine tool exports to Iraq were barred from seeing vital intelligence material because of delays which occured in security vetting.

In some cases, according to Mr Beston, it took as much as seven months to carry out pos-itive vetting on officers who needed access to security

Mr Beston, who did have security clearance, was unable to explain why he had not seen crucial intelligence documents that ontlined the munitions use of three proposed machine tool exports for Iraq.

Mr Beston said that not all of his officials would have been able to see the report.

He told the inquiry that one of his senior officers, Mr Tony Steadman, had not had access since his positive vetting was not completed until the January after he joined the department in May 1987. Lord Justice Scott suggested

that, given that export licence applications for Iraq had been in the system since May 1987, it was not clear to him that the intelligence report would have caused alarm in the DTL He said: "It set off no alarm

bell at all in your department. Your department, so far as I can see, would have done nothing had not defence intelligence on January 6th required action to be taken on it."

offering the mugging policy to

meet consumer demand after recent attacks on holidaymak-

Mugging cover for tourists

By Michael Skapinker, Leisure Industries Correspondent

holidaymakers in Florida and France have persuaded Accident & General that it is time to introduce an insurance pollcy compensating travellers

who are mugged.

The policy, which the company says is the first to offer such compensation, is heing sold through the National Association of Independent Travel Agents, whose 350 members have over 600 retail out-

Benefit is only payable to victims who end up in hospital,

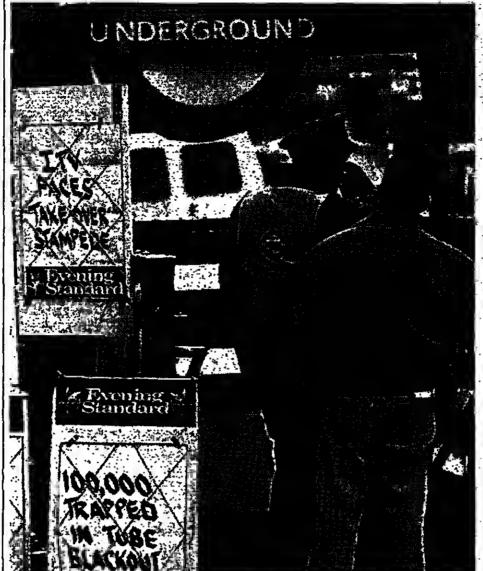
who can claim £100 for every 24-hour stay, up to a maximum of £1,000, according to Accident & General. Claimants will have to provide a police report prov-

ing they were attacked.
Accident & General said many travel insurance companies offered payments to holidaymakers who ended up in hospital. The mugging cover differed from these in that the compensation offered was

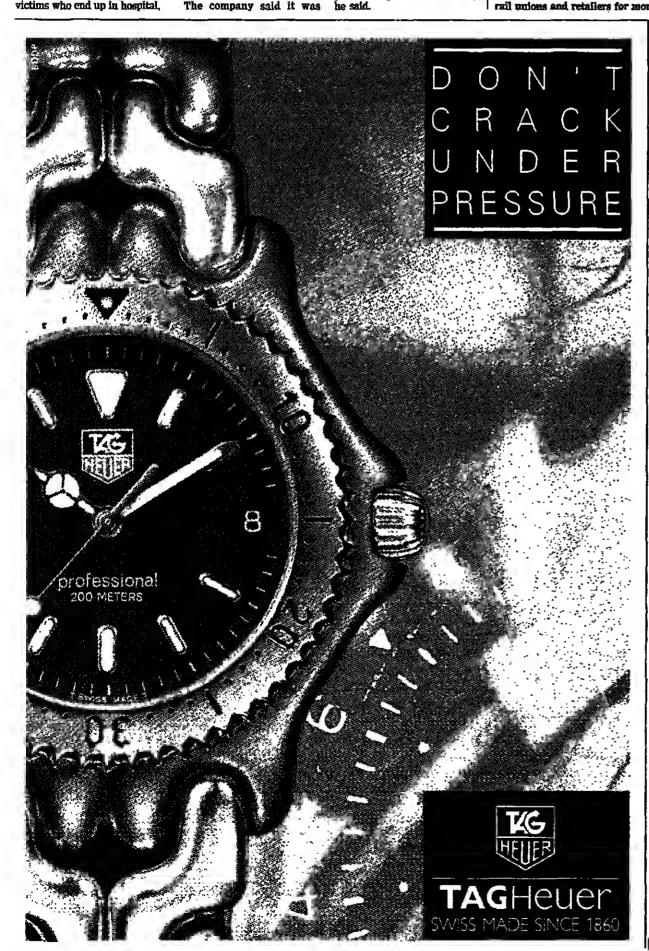
If Accident & General clients are hospitalised due to illness or accident, they can usually claim only £10 a day up to a maximum of £300.

"It's a recognition of what's heen happening in the market-place," the company said, Mr Bob Clark, insurance products manager at Thomas Cook, the travel agents' chain, said few policies offered more than £20 for each day in hospital or £600 in total.

Mr Clark questioned the thinking behind the new policy. "Muggings are few and far hetween and the first thing you should do when asked for your money is hand it over."



London Underground said yesterday 20,000 pessengers had been trapped on board trains after a massive power cut disrupted morning rush-hour services. All had been safely evacuated but it was believed some people had been stuck in trains for up to three hours and had to walk along unlit tunnels to get out. At one point, up to 25 tube trains were stuck in tunnels and a number of stations were shut. The scale of the breakdown prompted calls from business organisations, the rail unions and retailers for more government spending on the hard-pressed underground system.



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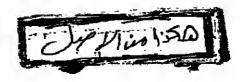
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Please send "Curriculum Vitae" with academic qualifications in English by January 7, 1994 to:

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Profits from US operations ontshone those for the rest of the world.

advertising agency profitability The top 50 agency groups have reduced the number of staff they The past year has been one of uncertainty, tentative optimism and ultimately disappointment," finds the survey. At the same time, there appears to have been an encouraging halt in the long-term decline of operating

A survey of agencies reveals optimism and uncertainty about the future. Diane Summers reports

A mixture of

messages

The events of one day last

currently mixed messages

month summed up the

Abbott Mead Vickers reported

a slight drop in its pre-tax profits

although chairman David Abbott

"widespread cutbacks in client

spending seem to be a thing of the past". The group felt

"considerable optimism" as it

looked forward to 1994, he added A few London streets away and

on the same day, agency Gold Greenlees Trott issued a warning

thet profit forecasts by the City

for the year ending next April were over-optimistic. This was

because the recovery in both

advertising and sales promotion

had been slower than anticipated

The result had been the deferral

The same mixed messages come

and reduction of spending by a

from the latest annual survey

by accountants Tonche Ross of

in 1992.*

number of clients, said GGT.

coming from UK advertising

agencies about prospects for

for the first half of the year

said he saw signs that

margins and operating profits are beginning to increase.

The firm's latest annual survey s based on the results of the top 50 agency groups by billings. The combined pre-tax profits of the groups were wiped ont by Saatchi

and Saatchi's £600m write-off of goodwill, following the group's decision to acknowledge there had been a "permanent diminution" in the value of goodwill on earlier acquisitions. Ignoring Saatchi's write-off. average profits fell 2 per cent

on the previous year. For the first time, the survey includes some international comparisons for the largest quoted groups. By most measures, the US-controlled groups outperform their European

operating profit margins of UK-based quoted companies averaged 6.7 per cent last year, compared with a 13.8 per cent average for the US companies.

The UK average, dominated as it is by the poor margins of Saatchi and Saatchi and WPP, masks the sound performances of Abbott Mead Vickers (15.5 per cent) and Gold Greenlees Trott (12.4 per cent), points ont Tonche

An analysis of sources of profit from the published accounts of the largest quoted UK groups also shows that it has been more difficult in the past year to make profits in the home market than

Germany, Austria, Portugal, Belgium and Greece grew by between 8 per cent and 40 per

Redundancy and reorganisation have again been a feature of the year, finds the survey.

employ by 5 per cent over the 12 months. An examination of those agencies which have retrenched shows that, overall, biting the bullet can and does work. It is not, as many think, the beginning of a downward spiral", finds the study.

While the recession may have been the catalyst that has created the crisis for agencies, in many areas of activity it has merely focused attention on problems that have existed for some time

Concludes Touche Ross: "The indications are that agencies have begun at last to tackle many of these problems. The many job losses and massive rationalisation costs testify that this has not been without pain."

*Tenth annual advertising agency profitability survey, edited by David Miles. Touche Ross, marketing services group, Hill House, 1 Little New Street, London EC4A 3TR £150

Loud cries of protest

As a new mother, Rachel Johnson reacts against the hard-sell tactics of the baby products manufacturers

or most mothers-to-be in the UK, the marketing campaign starts at 12 weeks, pushed by one of 260 distributors pasks shortly after delivery. the UK, the marketing campaign starts at 12 weeks, peaks shortly after delivery and then never seems to end. On the National Health Service,

women book into a hospital when they are about three months' pregnant. After blood tests and consultation with a midwife they are given a red plastic folder containing two items: a card detailing further appointments and a "Bounty Preg-nancy Guide".

No less than a third of the pages of this glossy booklet, which declares it is written with the help and advice of members of the Royal College of Midwives, feature the sort of sickly advertisements that could only be found in a specialist

Take the first few. "No job's too big for Baby Fresh," says the baby-wipes manufacturer; "Come on, push, push, push, push," runs the text accompanying a picture of a Mothercare buggy. "I want to be the best mum in the whole world," says the Prudential in its drive to sell products to make baby more financially secure in the future.

Months later, the newly-delivered mother lies in her hospital bed

canned Draught Guinness is

successful new product introduced

in the UK beer industry for more

the widget that gives the stout a

taste and appearance close to that

of a bar-room pint - have been sold

since 1989. This month, Sweden

became the 51st country to import

the product. It is a bestseller in markets from the US to Hong Kong.

has not only been good for the com-

pany, it bas revolutionised the

take-home beer market.

In the UK. Guinness's innovation

More than 250m cans - fitted with

than a decade.

firmly established as the most

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×• .

from Bounty, the Diss-based pub-lishing and services company that charges mother-and-baby companies a fee for joining its syndicated sampling service, is making the

If the woman accepts the assortment of Pampers nappies, Drapo-lene nappy cream, baby bath and other goodies without filling in a card saying she does not want to receive "further free samples and product information", she goes on a

For Bounty is at liberty under the Data Protection Act to put her name on its database, to sell on to the large number of companies hungry to tap into the baby products market - worth £1.5bn in 1990. Paul D'inverno, publications director of Bounty, claims his company is the only one with a nationwide spread; neither competitor he mentions, Newborn or Lifecycle Marketing.

has contracts with hospitals. Everyone is subjected to advertising from cradle to grave, not just pregnant women and new mothers. But advertisers do seem to reserve a peculiar intensity for these groups.
"Heinz carefully markets its baby

stout in bottles or cans helped lager achieve even greater dominance of

the take-home sector - where It

accounts for nearly two-thirds of

The Guinnesa in-can aystem,

which won a Queen's Award for

Technology in 1991, has changed

that. Work on the project began in

the mid-1980s when the company

revived the image of its draught

stout to make it more appealing to

younger pub-goers.
"We thought how wonderful it

would be if we could also make it

more appealing to take-home drink-

ing director of Guinness Brewing

says Brendan O'Neill, manag-

volume - than of pub beer sales.

And Bounty's business, advertising mother and baby products, is perfectly legal - though some might say that women are exhausted and distracted by the free samples at the one opportunity they are granted to avoid an avalanche of direct mail over the coming

Even so, many expectant or recent mothers will agree with Cathy Irons, the business manager of maternity services at St Mary's ospital in London. She says that such women are particularly "vulnerable to advertising from all

There are at least two reasons for this. First is the natural urge to be the perfect mother, exactly the button the Prudential pushed in its financial services advertisement. At the same time, first-time mothers have little idea which of the myriad products manufacturers insist they need buy to strive towards this perfection are useful, and which are expensive extras. In the past, for instance, objections were raised because the Bounty pack included sweet, syrupy drinks which could lead to tooth decay.

More than 100 methods were

tested. The researchers even tried

pouring the beer through nylon

stockings and from a can with a

spout lined with sandpaper. Five

years and 55m later, they found the answer: a plastic chamber, with a

minute hole, fixed at the bottom of

During filling, some beer is forced

into the chamber under pressure. When the can is opened the beer

surges out, creating the bubbles

Guinness discovered that the sys-

tem worked equally well in a can of

ale - and promptly launched its

own brand of canned draught bitter.

that form the creamy head.

tive to innovation."

Philippa Need of the National find she cannot afford the basic Childhirth Trust says: "You are made to feel everything is so essennappies and babyclothes. "It's all too easy to succumb to well-tartial. But a baby bath, for example, geted adverts," she says. BT is just one of the 100 compa

"No job's too big for Baby Fresh."

is a complete irrelevance."

According to the Health Visitors' nies that bought Bounty's list of new mothers earlier this year. I was Association, women spent on average £1,050 in 1990 on clothes and on it. In April, Bounty sent me - on behalf of BT - a glossy leaflet pro-moting mobile telephones and answering machines. "Now that equipment in the first year. At the same time, one in four of these had been means tested to receive the £100 state maternity grant. you're a new mum, you can't drop everything every time the 'phone rings, can you?" it wheedled, next to a picture of a dressing-gowned

Christine Gowdridge of the Mater-nity Alliance, which provides advice on maternity care and state benefits, says it is not uncommon for a woman to spend heavily on a new pushchair or steam steriliser to

failed to persuade Guinness to

license its system, developed its

own system for canned Bodding-

ton's bitter and Murphy's Irish

Stout. It has recently been extended to Flowers and Castle Eden ales and

to Marston's Pedigree bitter, Cour-

age has launched its variation on

the theme in canned draught John

Smith's bitter, backing it with a

£8m campaign. Carisberg-Tetley has now launched canned Tetley bitter

The new canned beers - priced at

least 20 per cent above the original packaged products - have given a further fillip to the take-home trade,

in the north of England.

Guinness's stout-hearted revolution develop their versions of the Guin-ness widget. Whithread, baving ences as the drink-driving laws, age-

woman cradling a rosy-cheeked

baby. I binned it with a practised flick.

entertainment facilities. Whithread estimates the new dranght-in-can stout and ale brands now account for 14 per cent per cent of take-home beer sales by volume and 22 per cent by value. Their share of the sector is expected to double by 1966.

ing population and increasing home

Guinness has demonstrated its confidence in the growth of the market for its stout by investing £30m in canning lines at Dundalk, Ireland and Runcorn, near Liver-pool, where the facilities will be capable of producing 2m cans daily.

Philip Rawstorne

PEOPLE

BPB Industries anoints Cuny as future group chief executive

The difficulty of replicating the characteristics of draught ale and does not own pubs is a great incen-

BPB Industries, which parted company with its chief executive John Maxwell in September, has now promoted Jean-Pierre Cuny to the position of group deputy chief executive, as well as chairman of the gypsum division. He is expected to become group chief executive in due course.

In considerable contrast to Maxwell, who had no experience in the industry before joining the company in the spring of 1992, 53-year-old

Plaeterboard manufacturer Cuny, who is a French citizen, as a whole and organise the BPB Industries, which parted has been with the group since succession, according to Alan

1977. Cuny joined the main board in 1988 and has most recently been deputy chairman of the gypsum division, running gyp-sum interests in continental Europe, from his Paris base. An engineering graduate of the Ecole Centrale de Paris and

MIT, Cuny now moves to Lon-

Turner, BPB'e chairman and chief executive. "His promotion to deputy chief executive is intended to signal his etepwise progres-sion. When he has got gypsum sorted out, he can raise his

head and become chief executive," says Turner. Turner declined to comment as to why Cuny was not deemed a suitable candidate for the chief executive seat before Maxwell was appointed.

There his immediate task is to sort out the gypsum division

metallurgy post-graduate from

teams shuffle packs

Other national brewers rushed to already growing fast as drinking

Smith New Court's Mike Unsworth, 44, who claims to be the longest-serving bead of research of a major City bro-ker, is moving into the firm's corporate finance team and over to Bruce Davidson.

Davidson, 38, has been fol-lowing the conglomerate sector and, like Unsworth, joined SNC at the time of Smith Brothers' merger with the much smaller

broker, Scott Goff.
The reshuffle coincides with another high-level defection from one of the City's most

aggressive stockbrokers. Alistair Buchanan, SNC's number one rated electrical utility analyst, has left to join BZW along with colleagues Tim Ancher and Daniel Mar-

It is understood that Buchanan had been offered the job of joint deputy bead of research at SNC along with Richard Dale.

The departure of Buchanan and his team is a blow for SNC which is corporate broker to several well known utilities. However, the firm has had little difficulty replacing other star analysts who have been poached by rival firms and expects to fill the gap left by Buchanan's departure.

Meanwhile, Ken Taylor, currently head of sales at SNC's agency operations, has been promoted to deputy managing director of UK agency and will have overall responsibility for the business when Paul Roy, managing director UK agency,

is away.
Michael Davids bas been appointed deputy managing director UK agency and will be primarily responsible for closer integration between the overseas and UK agency business. Rennie McConnochia takes over as head of UK sales and Mark Pumfrey will be deputy

■ Robert Kretowicz, appointed md of corporate finance department of CHARTERHOUSE, moving from Chemical Bank. Gary Jennison, appointed sales and marketing director and to the board of HITACHI 'If this is your view of global futures markets you're missing a world of opportunities"



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MAKE THE MOST OF YOUR FUTURE

Whitbread stacks up

Keith Worrall, Sainsbury'a director of grocery and nonfoods having, is to retire next July after 40 years of service with the company, during which it has grown from a chain of high street grocers to the UK'a biggest superstore

group. He will be replaced by Robin Whitbread, currently marketing director, while Whitbread'a place will be filled by Ivor Hunt, departmental director responsible for marketing ser-

Worrall, 56, joined Sains-bury's statistical department in 1953 and beld various posi-tions in the trading departments before becoming departmental director for dairy and frozen food buying in 1986. He took over his present position

Sainsbury's said there would be a phased handover before next July from Worrall to Whithread

Whitbread joined Sainsbury's in 1969 and rose to become departmental director responsible for marketing in

Four years later he was appointed to the board of Shaw'a Supermarkets, Sainsbury's US supermarket chain. He was appointed to Sainsbury's board as marketing director in 1990.

Ivor Hunt, who will join Sainsbury'e board next March, worked for Hawker Siddeley Aviation, and as statistical manager for AGB research, before joining Sainsbury'e in 1971 as head of statistical services. He became departmental director for marketing services

Leigh Interests Bowden

Shaun Bowden, right, has been appointed chief executive at Leigh interests, the waste man-Leigh Interests, the waste man-agement group, moving on from A.H. Marks, a private company specialising in crop protection products and organic chemicals.

Bowden, 46, had been chosen by Malcolm Wood, chairman and chief executive, who

intended splitting the roles following the growth of Leigh Interests. Wood however barely had time to usher Bowden into the company before dying from a heart attack, aged 62, on October 29.

Paddy Custis, non-executive deputy chairman of Leigh Interests since 1962, is taking over as non-executive chairman. Custis says that since Bowden had the imprimatur of Wood the company has every confidence that the transition will be smooth; Bowden is starting work at Leigh on

Bowden is a director of the British Agrochemicals Association and was formerly a direc-tor of the Bradford & district training and enterprise coun-



cll. He has an MBA from Manchester Business school.

GrandMet movements

Steva Marsball, Grand Metropolitan's investor rela-tions director since 1990, will become finance director for the Europeen division of International Distillers & Vintners, the group's spirits company, on January 1, 1994.

Marshall, a fellow of the Chartered Institute of Management Accountanta, joined GrandMet in 1989 as corporate director, financial planning and control, after bolding a series of financial posts with Burton Group, Black & Decker, and BOC Group. He will report to Colin Gordon, president IDV

Catherine James, business director of GrandMet Estates, the subsidiary which manages the group's property portfolio, will take over immediately as group investor relations direc-

James, an Oxford economics graduate who has worked with the Thomson Organisation and Price Waterhouse, joined GrandMet in 1984 in Its brewing division.

Two years later, she moved to GrandMet Estates, where she has held several senior financial management positions, including finance direc-

In a new series on advances in transport technology, Andrew Fisher examines developments in air navigation systems

Aviation safety soars to new heights

in travel

seat 30,000ft in the air, waiting for the hours to pass on an intercontinental flight, it might be reassuring to know that the aircraft's exact position is

known to those on the ground. For much of its route, however, this is not the case, whether you are flying over land masses such as the Indian subcontinent or large tracts of water like the Atlantic and Pacific oceans. Radar stations cannot be planted all over Asia or across the seas and radio contact is limited and unreliable over vast distances

For much of their journeys across the Atlantic, aircraft are out of contact as they fly between the radar stations on the Scottish and Canadian coasts. Pilots report their posttion by radio, but this can take time. Thus aircraft have to be kept far enough apart - 60 miles each side, 2,000ft vertically and 10 minutes' flying time behind each other to ensure maximum safety.

But two things are happening which promise to change the world aviation picture: air traffic is expected to grow at around 6 per cent a year up to 2000, with aircraft movements set to double in Europe by 2010; and technology has advanced to the stage where computers and satellites can be used to pinpoint aircraft positions so accurately that separation levels could eventually be halved and more flights safely accommodated on the same routes.

Although the technology is available, this will not happen quickly. Governments, airlines and regulatory bodies have to agree on how and when it will be phased in there is broad agreement on its desirability - and the air traffic management (ATM) systems have to be tested thoroughly. Airlines also have to decide the investment is worthwhile.

Aviation experts stress that the new satellite-based technology of automatic dependent surveillance (ADS), in which a stream of data is fed back automatically from the aircraft to the ground, is not aimed at increasing safety but at maintaining it, as more flights are allowed

into the available airspace.
Flying is one of the safest forms of travel, although the spectacular nature of air disasters makes them especially frightening: the worst was a collision at Tenerife airport

When you're strapped into your in the Canary Islands in 1977 which

killed 582 people.
"The objective is to improve the efficiency of the airspace with no reduction in safety," says David Featherstone, air traffic services development manager at Inmarsat the international satellite organisa-

"Safety is not at issue," agrees Michael Parry-Evans, ATM marketing executive at Siemens Plessey Systems, part of the Siemens electronics group. "There would be delays rather than any imperilling

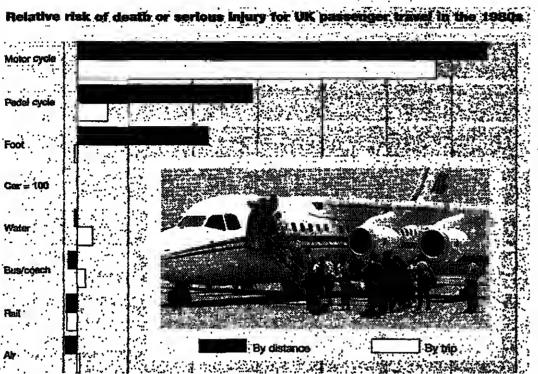
Ten years ago, the International Civil Aviation Organisation set up a committee on Future Air Navigation Systems (Fans) to look into the navigational needs of the next 20 years. It is under the auspices of Fans that ADS is being developed.

The satellites needed for ADS are in place. They cover four global regions and will - once ADS is introduced towards the end of the century - enable data to be sent digitally via satellite to a ground station and then into air traffic control centres. Those on the ground

ground-air communications allows telephone and data services to be combined, the instalment cost per new aircraft of up to \$500,000 (£340,000) for each ADS unit and cabin equipment could be paid for

by call charges. That is what British Airways and its competitors hope. "We believe that to make satellite navigation successful and cost-effective for the airlines, we've got to bring a number of applications together," says Gerry Selves, BA's manager for

flight technical projects. This



of passengers if air traffic control stems proved inadequate. The aim is to put in place a very viable transport infrastructure."

Today's infrastructure works, but is stretched and needs updating. Large areas of the world, such as India, Africa and parts of southern and eastern Europe, are poorly equipped with radar. In northern Europe, congastion can cause lengthy delays. Now, the development of high-powered computer systems, allied to the satellite network, bas made it possible to plan for a new generation of equipment.

could follow an aircraft's track and direction based on the data - some-times called "pseudo-radar" - being sent back. "It will make the controller's job a lot easier," says Feather-

Pilots, too, should benefit, Based on the satellite data, they could be given new flight paths to avoid bad weather or save fuel by keeping away from strong winds. Engine data could also be monitored.

ADS is basically a development of the in-flight telephone systems that airlines are introducing for passengers. Since the latest generation of

means a combination of ADS, telephones and data transmission for passengers and airline use, and facsimile machines.

3,000 . 3,500

The UK's Civil Aviation Authority has taken an early lead in studying the value of ADS. Using a Boeing 747-400 from BA, it carried out extensive tests on a flight from Osaka, Japan, to London's Heathrow airport. Reports were sent back from the aircraft via satellite every 10 seconds, but the CAA expects the typical reporting period for North

on this programme," says Leo Gallagher, commercial director of Racal Avionics which has co-operated with Honeywell of the US on-Satcom, the leading aeronautical satellite communications system. "It is the first aviation authority in the world to grasp the nettle of ADŞ." Other airlines such as United Air-

"The CAA has taken the initiative

lines and Qantas are also studying ADS, in which Rockwell-Collins of the US is also a player, but all are cautious about investing at a time of economic uncertainty and stiff npetition. They want to be sure of the savings ADS can bring by allowing them to fly the quickest routes and to avoid poor weather.

It is not only airlines which are under pressure to spend more money. Airport and traffic control authorities, too, are investing in high-performance systems to streamline the complex task of aircraft approaches, landings, takeoffs and manoeuvrings on the ground. "The drive in the short- to mediumterm is for increasing sophistication of air traffic systems, says Sie-

mens' Parry-Evans.
With more powerful, integrated systems, air traffic controllers should be able to concentrate more on difficult and potentially disastrous incidents by having much of the routine taken away from them. On Siemens' latest air traffic man-agement system, each aircraft is identified with a marker and information about its height, direction and speed is attached. The picture can be blown up, viewed on more than one screen and be overlaid built-in conflict alert to show if two aircraft are dangerously close.

In competition with companies such as IBM, Raytheon and Hughes of the US, Thomson of France and Alenia of Italy, Siemens is keen to move deeper into the ATM market,

worth more than \$2bm a year.

The European part of that is valued at some \$500m. As efforts by Eurocontrol (the European agency for air navigation safety) to harmonise and upgrade different national ATM systems - many of them dating from tha 1960s - bear fruit, investment will be substantial. Among the new technologies being introduced are systems which use microwaves for quicker and safer landings.

The series continues next week with a look at vehicle safety.

ven with the best air safety technology in the world, human skills will remain at a premium. Powerful number-crunching compe systems will take much of the complicated routine out of navigation and air traffic costrol and make it easter to dead with unexpected and risky incidents, but highly trained people will still be needed to fly and control the

aircraft. Computers and sophisticated electronics cannot do everything, however much they can simplify the business of taking off, flying and landing. They cannot, for example, deal with sudden and unexplained, engine or fuselege failures which need human ability to land crippled aircraft and save

Nor can they be a comforting substitute in passengers' minds for the physical presence of a crew, even if all is well.

"Airline passengers are unlikely in the foreseeable future to trust selves to a fully automatic. safety expert, told a recent conference in London. "Would .:

Billings, from the cognitive systems engineering laboratory at Ohio State University, said placed their faith in urban, rapid transit systems. However, these run under much tighter constraints than are possible in aviation. "You cannot simply stop the

airplane when something goes wrong in flight." Also, pilots and air traffic controllers were responsible by law for flight safety. This responsibility cannot be . abrogated, even though automated devices may remove some of the authority formerly possessed by these human operators."

Thus he added: "We believe that if pilots and controllers are to be held responsible for system safety, they must retain the authority necessary to command and control the system." That is what the pilots

Broadly, pilots support the introduction of sophisticated navigation systems such as automatic dependent surveillance (ADS), says James Gaskell. vice-chairman of the air traffic services study group at the British Airline Pilots Association (Balpa). But they are wary of too rapid.

separation limits such as those applying over the husy North Atlantic, where more than 200 aircraft are in the air at peak times. Both Baips and the international pilots' federation want a co-ordinated introduction in accordance with proper rules. "It is surprising how busy the Atlantic is at times," adds Gaskell. "You can sit at night and see the lights of other aircraft above and

below. It [ADS] does need to be treated very carefully." Thus Balpa would like to see ADS used inttially at the current separation levels. with these then gradually being decreased as the system proves Because aircraft are already so reliable and automated, some 75

per cent of accidents have a human cause, Phil Hogge, British Airways general manager for flight operational services, told the conference which was organised by the UK's parliamentary advisory council for transport safety.

These days, errors tend to stem from incorrect loading of navigational information into the on-board computer rather than .. wrong calculations, he said. "Therefore, the subject that requires most attention is this whole area of why people make mistakes."

Apart from the work of psychologisis, government agencies and manufacturers in designing effective warning systems and controls, BA also relies on its own intensive analysis of incidents including use of its computerised Basis (BA safety information system) database – and the human factors involved. The airline uses this information to help training and improve procedures.

Much of the automation that pilots and controllers have become used to, said Billings, "is too often brittle instead of resilient, clumsy instead of facile and, above all,

complex instead of simple. But the new systems, he noted. were now starting to provide more help and information where it was most needed - such as after engine failures by compensating for uneven power thrust – and not just during routine flight.

."The means for at least. semi-automatic air traffic control, as well as flight, are at hand." But Billings added: "It is the human operators, not the computers, that remain responsible



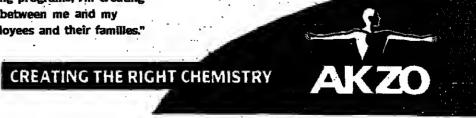
know them a

"Human resources managers shouldn't spend too much time behind their desks. At Akzo, they call me the hands-on manager because I'm constantly out meeting our people. I know the employees in the Resins business unit personally. That's important because it's my job to make sure that Akzo's human resources programs meet the personal and professional needs of each and every employee. And these needs vary at each of our five plants, with each local culture,

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Menace aforethought

A merica a film in two halves. Put sime stern employers revealed as ply, the first half is good, the goody benefactors. The happy maximum safety and comfort? In Long Island you risk falling foul of the Jewish Mafia (Amongst Friends). In Arizona (Benefit Of The Doubt) you might be stalked across baking deserts by barking Donald Sutherland (ex-convict, psychopath). And in the Deep South of Hard Target you could well get lost like Cajun drifter Jean-Claude Van Damme, harried through the Louisiana swamps by nec-Nazi

The best place, surely, must be Florida'e gulf coast as depicted in Victor Nunez' travelogue-of-the-soul Ruby In Paradise. Here the only menace is invading tourists. Seasonally they clatter through the resort gift-shop in Panama City where the heroine works (Ashley Judd), a young girl hoping to find herself after fleeing unhappy adolescence in her

No better state in the US for self-discovery. Surrounded by hideous souvenirs - the figurines made from coloured shells, the dayglo T-shirts – Ruby must search deep in her-self for truth and authenticity. "I don't know what I'm doing here" she confides to her voice-over diary. But soon she is self-assured enough to find work, play and a sense of identity, and to juggla the two predators who want to get her into bed: raunchy employer's son Rick (Bentley Mitchum, grandson of Robert) and holier-than-thou environmentalist. Mike (Todd Field).

Writer-director Nunez, who fine debut movie about the second half self-destructs. For the opening hour we are enthralled by newcomer Ashley Judd's performance, with its hints of a secret life behind the alanting eyes, baby cheeks and self-defensive Sontbern drawl. And we purr with plea-

sure at the workings of the **RUBY IN PARADISE (15)** Victor Nunez

HARD TARGET (18) John Woo

AMONGST FRIENDS (18) Rob Weiss

BENEFIT OF THE DOUBT (18) Jonathan Heap

IP5 (15) Jean-Jacques Beineix

film-maker's own built-in junk detector. This goes "bleep" not just at the rows of rubbish in the gift-shops but at the dubt-ous shelf life of the people Ruby meets: notably Rick (male chauvinism plus mother's-boy epinelessness) and Mike (fine until he reveals a weakness for God-slot televi-

sense of danger and by our suspicion that there are picturesquely disturbed corners in Ruby's own mind. Too much doodling in that diary, for a start. But part two starts in soon - too soon - on the pro-cess of doubt-allayment. Lost and Mr V.D. coming through it dribble on through ten years of jobs are regained, treacherous all like a mixture of crime and punishment, feud

ending stomps towards us like a too-early dawn, dispersing all the interesting shadows.

Hollywood has many mad science laboratories, but the maddest of all is the one with the signplate "Cultural Crossbreeding". Here men with white coats and smoking brains dream up projects euch as Hard Target. What would happen (they muse) if we team a Belgian footboxing star with a Hong Kong action director and set them both down in French-American Louisiana?

Jean-Claude Van Damme is our hero-hulk with the trailing curis and legs as lethal and many-angled as compasses. John Woo of The Killer and Hard Boiled is called in to produce further evidence that he is the world'e most gymnastic action director. And as for the plot - anyone got a plot? Oh yes, how about the old one about racist psychopaths going manhunting in the Deap South. That will do: so long as we are insured against plagia-rism suits from Betrayed and Southern Comfort.

So the insane day hegins; and the dreadful glory of a movie that is both delinquent and virtuosic. Shotgun in one hand, girl in the other (Yancy Butler, searching for a Dad we saw manhunted to death in scene one), Mr Van Damme serpentines through the bayous hunting - and being hunted by - Lance Henriksen's sneering villain and his pay-by-the-hour client army. Snakes; petrol bombs; exploding cars; Schwarzenegger and Nureyev. He dives swallow-like through the flames one moment, biffs the daylights out of the baddies the next.

I was appalled by the amount of careless laughter issuing from my area of the cinema, until I realised that much of it was coming from me. But then how does one react to a movie that resembles a Jackson Pollock painting in which the coloured smears are real people? Giggles seem as appropriate as shocked gasps. For this film has nothing to do with real life or real violence (that tends to hurt): rather it is a near-abstract riot of dering-do in which visible injury is set firmly aside for visible

For a truly numbskulled use of violence we must turn to Rob Weiss's Amongst Friends. Here the leisured classes of Long Island preside over a second generation of boodlumeand Trevor are scions of Kosher Nostra: Jewish dynasties surrounded by ill-gotten beirlooms and by only-hegotten heirs who want all that and more. Do not be fooled by the yachts, the lace tablecloths and all that money spent on their education. These boys want out of Millionaire's Row and into Scorsese's mean

We, somehow, are supposed to care. Weiss has a funny idea of the things that might constitute a plausible, empatbyprone source for a life of crime. (Jaded youngsters turning silver spoons into revolvers is not one.) And he has a funnier idea



Bentley Mitchum and Ashley Judd in Victor Nunez's 'Ruby in Paradise'

and counter-feud, with no signs of ageing, no sense of psychological development. and certainly no increase in either wisdom or excitement

But the week's Wooden Spood for an American movie must be held back for Benefit Of The Doubt. This finds Donaid Sutherland released from a 22-year jail sentence for wifemurder and going in search of daughter Amy Irving, who tes-tified against him. "Daddy won't forget this..." he had told her outside court. So soco we are thrown sizzling into the silliest plot of 1993. Murder. incest, boat chases and wild. wild Arizona sceoery; plus a handful of good actors strug-gling to be more than plastic counters shoved around a giant high-speed board-game.

Things are little better on this side of the Atlantic. A "suc-cessful" European film used to be one that earned festival prizes and critical plaudits and then sent out ripples of innova-tion and aesthetic challenge to Hollywood. Today a successful European film is one so Hollywoodish already that America buys it up for a remake: Cousins, Three Men And A Baby,

Jean-Jacques Beineix's IP5 has all the schmaltzy plot gim-micks in place to bait the Tinseltown book. Two semi-delinquent street boys on the run, one black, one white. (This

should secure the cross-racial youth audience.) The wistful. dying old man they meet on the road and from whom they learn lessons in love, wisdom and the everyday-miraculous. (He is Yves Montand: add a few million older moviegoers who grew up with Z and L'Aveu.) And - for what is a highconcept film without a across France in pursuit of long-lost girlfriends (Montand), long-sought father figures (the

Beinely, who made Divg and Betty Blue, specialises in a grandiloquent glossiness that masquerades as art. He begins the movie - almost promis-

boys) and other glib emotional

pay-offs.

ingly - as if it is e hip-hop musical. The black boy dances and sings along e midnight merry with the graffiti paint. The scene is so catchy, so sur-real that we wish it had set the tone for the rest. "Les Spraycans De Cherbourg" we could have taken, but not Beineix's ensuing attempt to pass off maudlin fable-spinning as Deep Thoughts about the homeless child in each of us.

As for the UK print's transatlantic subtitles - "Chill out",
"F*** me, what a babe!" - they add to the feeling that in Gallic movies today the trademark "Made in France" is being slowly obliterated by "Made for Hollywood."

A Rooster on top of the pops

porary Dance Theatre on Tuesday night at the beginning of its autumn season, I saw again what I have been seeing for 20 years: a superlative dance ensemble. When the company came into being at the end of the 1960s it was sometimes raw but always eager, always intensely committed. Across the next decade standards of physical attainment - stunning skill; whole-hearted and whole-spirited energy - were testimony to the guiding presence of Robert Cohan and the spiritual concern of Robin Howard, who had made the enterprise possible: After ten years the company was a world-heater.

Since then it has, astonishingly, finesse, and adaptability to the demands of many choreographers. (Works by Martha Graham and Paul Taylor most honourably done; Cohan's choreographies perfectly shown; pieces by Richard Alston, Siobhan Davies, and others - all products of the organisation - given transcendent execution.)

Now, for reasons which are not as clear and straightforward as pressreleases and apologists would have us believe, the troupe is to be reduced in size. Britzin'e flag-ship modern dance troupe is to be sent to the breakers' yard, to be replaced by a smaller ensemble under Richard Alston, as part of a "National Centre for Contemporary Dance".

Alston'e appointment is good news. It is more curious that the Rambert Dance Company (from which Alston was eummarily removed last December) is to be expanded to 25 dancers, with an orchestra, and is reportedly to

adapted to the work of its forthcoming director Christopher Bruce, and also supposed to be capable of playing a Balanchinian repertory. (Hmml) The dismantling of a superlative company, the fruit of an unrivalled school, in favour of a new unproved ensemble, is policy gone mad. The Luddites are in charge. It is even more fronic that the greatest success LCDT has on its

moment is Christopher Bruce's Clement Crisp asks why Britain's flagship modern dance company

is being sent to the

breakers' yard

hands (and ebullient feet) at the

Rooster. First made for the Geneva Ballet, it takes as its text awful songs by the Rolling Stones, but explores them in dances of whizzing vitality which LCDT bring off in fire-cracker style. It came as a wonderful end to a programme in which the dancers rescued two less than convincing pieces. Alatta Collins' Shoes is indeed about shoes - multicoloured, clunky, better off than on. There is a score of abrasive minimalism by Steve Martland (well played by a group under Nicholas Mojsejenko) and stylish design by Tom Cairus. The cast are in street clothes; the theme - I suppose suggests that shoes are conformist and that we are better off bare-foot. It is all rather flaccid, and termi-nally long. But when Miss Collins lets her cast dance, the steps fly,

formidable in prowess, absolute and loving servants of their text. They make the piece exhilarating.

Nothing, no-one, can make the

other novelty, a ripe piece of Euro-trash, bearable. It is entitled Sand Skin (no explanation given, though an addled programme note talks about "mutations necessary for the survival of a species"), and it is by the French-based Angelin Preliocal. Fourteen dancers are hideously garbed. (Caroline Antenski has con-cocted what look like failed unisex underclothes in funereal black; tights that are more hole than fabric; black shoes) and behave morosely. They may be in quest of a cure for the steps, or merely exercising their psyches. They do their grand best, but look very sad indeed, and I do not blame them.

Fortunately Booster restores them to life. This is given with glorious vitality, a throw-away bravura and a muscular sophistication - the impossible made not only easy but witty - that explains exactly why this great company (and I use the words advisedly) should not be sacrificed to policy. There have been mis-routings in recent years with LCDT - failures in artistic direction - but the troupe is a national treasure. We do not have anything comparable. There is nothing comparable in Europe. To sacrifice it on the altar of expediency and a chimeric re-organisation is criminal. Policy can be altered. To alter the company will be to dany its history -LCDT and its School made possible the whole modern dance movement in this country - its splendid present, and its potential for the future of dance in Britain.

n Tuesday Sviatoslav Richter played Bach in the Barbican, with Christoph Eschenbach the English Chamber Orchestra. It was only a pendant to his solo recital in the Festival Hall on Sunday, but a costly one: £40 for any seat in the stalls or the

First, Eschenbach conducted a reasonably trim, moderately lively account of Bach's Suite in D. Then, after the interval, Richter stalked on to play the D major and G minor "piane" concerti, the composer's own re-writes of his unimprovable violin concerti in E and in A minor. (The keys had to be lowered because the harpsichords of his day did not reach as far as the violin's top E). Finally the conductor-pianist joined Richter for the C minor, two-keyboard version of a concerto Bach probably wrote for violin and oboe.

or the second time in a fortnight the Royal Festival Hall has sold out for a solo singer. At least it seems unlikely that the capacity audience on Tuesday had turned up to hear Schubert's Fifth Symphony and Respighi's The Pines of Rome, the remainder of the Philharmonia's

ргостатие. The star was Cecilie Bartoli still a recent arrival in the operatic firmament, but her position there is undisputed. Her diary for this year and next reads like an inventory of the world's top musical venues, though the Royal Opera House is sadly not among them. As yet, the young Italian mezzo has not appeared in opera in Britain, which makes ber celebrity the more remarkable. Such is the

Concert/David Murray

A high price for Richter's big sound

over-rehearsal, neither in the Suite nor in the concerted pieces. Anyway, in the concerti Richter's and Eschenbach's big Yamaha grands often rendered the ECO strings all but inaudible - they might have been playing almost

Though there are serious arguments for using the modern solo instrument that Bach never knew, the musical imbalance bere was discomfiting. Not least because the ECO's continuo players had There were no disturbing signs of for which Bach intended his virtuosity in his solo breaks. It exhibition.

but notice how much happier the balance was between him and his string colleagues than between them and the soloist. Watching a brooding, tight-jawed

Richter performance (he is 78 this year) is always rather awe inspiring. Presumably that justified the seat-prices, for there was nothing greatly remarkable in his Bach interpretations. Eschewing the expressive nuances available on the modern piano, he played

eemed an exercise in beroically selfless restraint; and in the two-keyboard concerto, Eschenbach

We might have been bearing domestic play-throughs - except in the "Adagio e piano sempre" of the solo concerto in D, where Richter drew out the lyrical line to an elevated beight. That was the redeeming passage of an otherwise low-profile concert. I got home in time to watch a beady-eyed BBC-1 programme about overpaid, underskilled conductors, such as record companies nowadays promote far beyond their half-formed merits. It was the most intelligent and usefully mischievous TV study of the real-life classical music business that I have seen, and we watched it free: it was at least twice as from the start included a everything robustly, firmly and interesting as the laid-back, harpsichord, the very instrument cleanly, without any special low-cost but pricey Richter

Recital/Richard Fairman

Bravo Bartoli!

power of television and records. This was the first time that I had heard her live, as on the previous occasions she had cancelled. (Perhaps nobody told her I was coming.) Heard in the flesh, the voice may not be large, but it is firm and agile, now radiant, now impish, now witty, now defiant, a darting butterfly of a voice, always on the point of metamorphosis to some new persona.

In Mozart's Exsultate, jubilate it was striking how Italian through and through her singing is. This piece has become a favourite with

scales in the outer portions and waft disinterestedly through the slow central section. Bartoli's starting point is the words (an exciting thrust on "jublilate") and the changing emotions were vividly dramatised. With an Italian upbringing music is always theatre. Among Italian composers Rossini is her natural choice and she sang three arias from his operas. Pamira's Prayer from Le Siège de Corinthe started with the most

affecting pure tone, set in relief beautifully in duet with a solo

barp. When the main theme returned, accompanied by the full orchestra, she was only just loud enough in this hall, despite Giuseppe Sinopoli's considerate 26 In

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Then came the famous arias from La Cenerentola and Il barbiere di Siviglia, each bubbling over with brilliance and personality. Bartoli sings her own decorations, which is wholly in character. Nothing this singer does is a mere echo of anybody else. With luck she will persuade opera managements to put on rare Rossini revivals for her in the future - perhaps with period orchestras, which would best match her scale.

Concert sponsored by AFG



ATHENS

Megaron Tomorrow: Jacek Kasprzyk conducts Athens State Orchestra in Busoni's Piano Concerto, with soloist Arls Garoufalis, Sat, Sun: Nikolaus Hamoncourt conducts Chamber Orchestra of Europe in works by Beethoven, with violin soloist Gidon Kremer. Dec 5, 6, 7: Czech Philharmonic Orchestra (01-728 2333/01-722 5511)

BOLOGNA

Teatro Communale The 1993-94 opera season opens on Sat with Puccini's Trittico, staged by Lluis Pasqual and conducted by Riccardo Chailly, with a cast led by Paolo Gavanelli, Mary Jane Johnson, Luis Lima (Il tabarro), Adriana Morelli (Suor Angelica) and Leo Nucci (Gianni Schicchi). Repeated Nov 30, Dec 2, 5, 7, 9, 12, 15. Prazak Quartet of Prague gives a recital on Mon. Chailly conducts Mahler'a Third Symphony on Dec 10 and 11 (Biglietteria, Ente Autonomo

Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For Information, call 051-52999)

and we see how amazingly gifted

BARCELONA

The next opera production at the Liceu is La fille du régiment, which receives eight performances between Dec 4 and 19. Richard Bonynge conducts Gian-Carlo del Monaco's 1988 Zurich production, starring Edita Gruberova and Deon van der Walt. Cecilia Bartoli givea a song recital on Dec 15 (tel 412 3532 fax 412 1198)

FLORENCE

Testro Communale Tomorrow, Sat, Sun: Glanandrea Gavazzeni conducts Mendelssohn's St Paul. Next week's concerts are conducted by Aldo Ceccato (055-277 9236)

LONDON

THEATRE Angels in America: Tony Kushner's epic two-part drama, comprising Millenium Approaches and Perestrolka, can now be seen for the first time in its entirety on the British stage. Declar Donnellan directs both parts in the Cottesloe (National 071-928 2252)

 The Wind in the Willows: Alan Bennett's award-winning adaptation of Kenneth Grahame's magical enimal tale returns for a Christmas run in the Olivier, in repertory with The Absence of War, David Hare's new play about the way politicians

think and act, starring John Thaw (National 071-928 2252) The Iron Man: Pete Townshend's new rock opera, based on a story by Ted Hughes, receives its world premiers tonight in a production directed by David

Thacker (Young Vic 071-928 6363) Oleanna: David Mamet's controversial play exploring the wilder shores of political correctness, with David Suchet and Lia Williams (Duke of York's 071-836

 Moonlight: Harold Pinter's first full-length play for more than a decade has gained in impact since its transfer to the West End from the Almelda, Ian Holm heads the cast as a father on his deathbed presiding over the disintegration of his family (Cornedy 071-867 1045)

Covent Garden The Royal Opera'a repertory is currently devoted to Die Zauberflöte, in a re-staging of Martin Duncan's Scottish Opera production, with changing casts including Amanda Roccroft, Sumi Jo and Wolfgang Holzmair. Tosca is revived on Dec 4 with Anna Tomowa-Sintow. The Royal Ballet has a double bill pairing Balanchine's Ballet Imperial and Ashton's Tales of Beatrix Potter, and a mixed bill including MacMillen's Different Drummer and Forsythe's Herman Schmerman

(071-240 1066) Collseum English National Opera has a new production of Lohengrin, conducted by Mark Elder and staged by Tim Albery, with a cast led by John Keyes, Linda McLeod, Linda Finnle and Malcolm Donnelly. Repertory also includes II barbiere

The Theory of the Control of the Con

di Siviglia, Le nozze di Figaro and Die Fiedermaus (071-836 3161) Sadler's Wells London Contemporary Dance Theatre is in residence till Dec 4 with three programmes, including choreographies by Christopher Bruce, Amanda Miller and Aletta Collins (071-278 8916)

South Bank Centre Tonight: North Indian classical music with Ustad Alayat Khan. Tomorrow (RFH): John Lill plays Brahms' Second Piano Concerto with the London Philharmonic. Tomorrow (QEH): Sian Edwards conducts Docklanda Sinfonietta in Roussel, Lutoslawski, Szymanowski and Haydn, with soprano Joan Rodgers. Sat: David Willcocks conducts Bach Choir In Bach'e Christmas Oratorio. Sun (RFH): Vienna Boys Choir Christmas concert. Sun (QEH): Matthias Barnert conducts BBC Symphony Orchestra in Penderecki and Gorecki. Mon: Alfred Brendel plays Beethoven plano sonatas. Tues: Wolfgang Sawallisch conducts London Richard Strauss, with violin soloist Maxim Vengerov. Wed (RFH): Kronos Quartet. Wed (QEH): Paul Sacher conducts London Mozart Players. Dec 4: Boston Symphony Orchestra (071-928 8800) Barbican Tonight Kent Nagano conducts London Symphony Orchestra in works by Boulez. Paganini and Mahler, with violin soloist Sarah Chang, Mon: Nagano conducts London Sinfonietta and Chorus in works by Messigen, with keyboard soloists Paul Crossley and Jeanne Loriod. Tues: Christoph Eschenbach directs ECO in

Beethoven, Janacek and Haydn. Dec 2-12: Colin Davis conducts four complete performances of Berlioz's The Trojans (071-638 8891)

MADRID

Auditorio Nacional de Musica Tonight: recital for two pianos by Fred and Marina Hammond, music by Brahms, Debussy, Poulenc, Corigliano and Lutoslawski. Tomorrow, Sat, Sun: Aldo Ceccato conducte Spenish National Orchestra in Tchaikovsky'a Third Symphony and Stravinsky's Petrushka (01-337 0100)

MULAN

La Scala opens its 1993-94 opera season on December 7 with La Vestale, conducted by Riccardo Muti and staged by Liliana Cavani, with a cast headed by Maria Dragonl and Denyce Graves (eight performances till Dec 23). The Boston Symphony Orchestra gives a concert on Dec 13, and there will be eight performances of the Nureyev production of The Nutcracker between Dec 14 and 31 (02-7200 3744)

NAPLES

The 1993-94 season at the Teatro San Carlo opens on Dec 10 with Rossini'a Mosè in Egitto, with a cast including Roberto Scandluzzi, Mariella Devia and Rockwell Blake, conducted by Salvatore Accardo (stx performances till Dec 22). The season also includes La traviata

with Glusy Devinu (Jan 15), La Sonnambula with Mariella Devia (Feb 26), L'occasione fa il ladro (March 16), La favorite (April 6) and Manon Lescaut (May 28). Booking and information: Teatro San Carlo, Via San Carlo 98, Naples (081-797

ROME

The new season at the Teatro dell'Opera is dua to open next Tues with Alda, in Zeffirelli'a 1963 Milan production with Nina Rautio and Giuseppe Giacomini. Repeat performances have been scheduled for Dec 2 and 5, but the theatre is notorious for last-minute changes and cancellations (06-481 7003)

TURIN

Teatro Regio Mon: Brigitte Fassbaender and Michael Austin sing Mahler's Das Lied von der Erde, with planist Cyprien Katsaris Dec 9: first night of Luca Ronconl's Italian-language production of The Makroupoulos Case, with Raina Kabaiyanska (011-8815 214)

VENICE

Teatro La Fenice Tonight, Sun, next Tues and Thurs: Garcia Navarro conducts Pier Luigl Pizzi'a new production of Mose in Egitto, with cast led by Ruggero Raimondi, Robert Swensen and Luciana Serra. Sat: Vladimir Spivakov conducts Moscow Virtuosi in works by Stravinsky, Mozart and Schnittke (041-521 0161)

ARTS GUIDE

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Reports 0530

Nice brain, shame about the feathers

ex is not only one of the wonders of life but also one of the two great mysteries of evolutionary biology. The other is human intelligence. This remarkable book draws together many of the latest strands of scientific thinking, to create a coherent explanation both for sexual reproduction and for the extraordinary explosion in human brainpower over the past million

The first big question is why animais have been put to the trouble of creating separate males and females to reproduce sexually, wheo asexual reproduction requires much less time and effort. Tha answer produced 60 years ago

- that sex helps a species adapt to chaoging circumstances by sharing out genetic innovations - Is unacceptable to the "selfisb geoe" school that dominates blology today. Cootemporary blologists believe the individual and its genes always come first; avolution never operates directly for the benefit of the species. Asexual individuals producing self-fertilised eggs should be able to swamp sexual rivals, who can reproduce only at baif their rate, before the long-term advectages of sex make them-

The surprising answer, according to Ridley, is that sexual reproduction evolved to heet disease. The mixing of genes through sex gives the offspring a much better chance of withstanding the host of viruses, hacteria and other parasites that plagued their parents. Asexual rivals, on the other hand, are stuck with essentially the same diseasefighting genes as the previous

Ridley describes new evidence to show that sex is worthwhile because it gives your children an immediate advantage in the fight against disease. Some comes from the molecular biology of germs and genes, some from computer modelling and some from experiments and observations of real animals. The Mexican minnow, for example, can reproduce with or without sex. If there is fungal disease in the pond, the sexual strains dominate; if not, they lose out to

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2017年中央公司中央中央

THE RED OUEEN: SEX AND THE **EVOLUTION OF HUMAN NATURE** By Matt Ridley Viking £17.99, 404 pages

The Red Queen goes on to show how, once separate males and females existed, genetic competition led to the growth of sexual adornments whose principal purpose is to attract the best possible mate. One example is the peacock'e tail. Another is the buman mind.

Ridley picks up the recent work of hiologists auch as Geoffrey Miller of the University of Sussex in suggesting that the best explanation for human intelligence is as a sexual adornment. They reject the traditional view that brainpower started increasing rapidly among our accestors because intelligence was so useful for making tools, using fire, hunting animals and gathering plants. Those challenges ara essentially predictable, requiring some intellect hut not an ever increasing amount - and they would have applied equally to other apes living on the African savannah.

The buman brain, according to Miller, is "largely a courtship device to attract and retain sexual mates; its apecific evolutionary function is to stimulate and entertain other people, and to assess the stimulation attempts of others".

Brain size would originally bave etarted to increase through chance mutations in the genes controlling sexual selection. These would have spread rapidly through the prehuman population, in what Ridley calls an "arms race between the sexes

This is the Red Queen effect, named after the charactar whom Alice meets in Through the Looking Glass. However fast she runs, the world keeps pace with her and she never gets anywhere. However intel-ligent we are, more intelligence is always better for understanding, manipulating and seducing other people with similar brain size.

As Ridley admits, the sexual evolution of the buman mind is much the most speculative theory discussed in his book, But it is as plausible as any

alternative explanation for human intelligence, and It accords with examples of the Red Queen in action elsewhere in the animal kingdom, which have been subjected to various experimental tests.

Many mammals and birds have developed elaborate colours, ornaments, displays and songs, to persuade members of the opposite sex to mate with them. These special attractions do not necessarily help individuals survive in the natural environment - indeed they may hinder survival by wasting precious energy or attracting the attention of predators hut no one dare opt out of this

race between the sexes. The sexual pressure is greatest in polygamous species such as the peacock. If all peahens go for males with the showlest tails, then a less discriminating female who picks a relatively plato mate is likely to have plain-looking sons. They will fail to attract other peahens and so her genes will die out. Ridley, a British science journalist and former zoology researcher, gives only sparing personal information about his biologist heroes. Never mind -the ideas in *The Red Queen* are so interesting that the exces-sive personal detail found in American popular science writ-

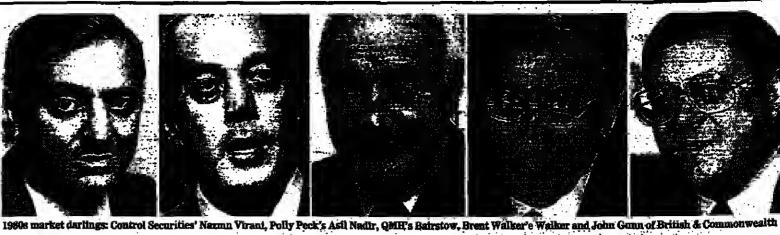
ing would have been an irrita-

ting distraction.

Illustrations, however, are a serious omission. Like many other science books, The Red Queen suffers becaose the author and publisher have made no effort to produce the graphics which could have illuminated the theorias. For axample, computer models showing sexual and asexual animals competing under different conditions would have been worth a thousand eveo of Ridley'a lucid words. In their absence, there are a few pleasantly genteel engravings that might have graced a Victorian volume. Indeed, for a book about buman sexuality, it is curiously chaste in every

The Red Queen may link sex and intelligence on an intellectual plane but in practice it leaves both as mysterious as

Clive Cookson



Variations on a s Queens Moat Houses shareholders gather on Monday for the annual meeting to discuss the parlous state of their corporate theme company's affairs, they might reflect on previous corporate horror stories that held clues for their own predicament. If they had cared to look,

Maggie Urry asks if shareholders in Queens Moat Houses should have seen trouble ahead

One corporate financier with experience of restructurings says, of those who came unstuck: They were able to demonstrate a record and the accounts appeared to show asset and earnings growth." A director at a UK clearing bank, says: "They all traded hy reputation rather than sub-

recent corporate history offers

paralleis. QMH joins names

such as Tiphook, also in talks

with its bankars; Brent

Walker, Control Securities,

Saatchi & Saatchi and WPP which have gone to the brink

and been rescued; and Polly

Peck, Maxwell Communication

Corporation, Coloroll and Brit-

ish & Commonwealth - all of

which have gone into receiver-

ship or administration in the

All these companies were, or

are, run hy an entrepreneurial

boss, often 1980s stock market

"darlings". They have bean

highly acquisitive, needing

repeated injections of cash from shareholders and banks.

In the late 1980s they usually

demonstrated a better than

average profit record, but

found themselves caught on a

profit treadmill, constantly

having to improve results

through fear of disappointing shareholders and bankers. The

treadmill became more exact-

ing as recession bit. And many

have over-borrowed to invest

in assets which have since

QMH sharebolders could

have learned a lesson from the

others. Judging by the fall in

QMH's shares in the year to

March, when they ware

suspended, soma investors did

indeed heed the warning signs:

The 1980s economic expansion

was a time when entrepreneur-

ial zeal was easy to convert into results that convinced

bankers and financial markets.

But too frequently the perfor-

mance could not be sustained

when recession began.

The entrepreneurial boss

fallen sharply in value.

stance. There's the avuncular type, and the bullying type, but they all relied on being powerful and were often secretive about the business common thame, as in QMH and Brent Walker, was a lack proper management

The entrepreneurial boss had often built the business from scratch, Mr John Bairstow, former chairman at QMH opened his first hotel in his house, a partly mock-tudor residence in Essex. Mr Robert Montagua, chairman of Tiphook, and Mr George Walker, ex-chairman of Brent Walker, also founded their business empires.

Typically they have a great belief in their own abilities, bolstered by City adulation. "If you are told you have the Midas touch, you believe it," the banker explains. Many appear to regard the company as their own privete fieldom. They are prepared "to bet the business" - regarded by many financiers as a sign of bad management; they take excessive risks - such as hanging on to assets in the hope that values will rise. If things go wrong, they blame bad luck. "Good managers implement

strategies appropriate to circumstances. In recession they rationalise, retrench, consolidate. Good management is about exercising options in a timely way and keeping exit

routes open," says one lender. It is rare to find in one person the combination of skills to manage a business in both expansionary and recessionary ases. But, he says, it is difficult for others to tell a company founder: "Now we're in sion we need different

It is not surprising that rule one in the banker's manual; says a corporate rescuer, is to get rid of the boss.

The acquisitive company Doing deals is the entrepreneur's great love. Bnt were companies that have since failed building on sand? A corporate financier says: "They were built on doing transactions where there is no room for arror. You must assume continued economic growth because they can't take any

downside Deal making for its own sake can prove a recipe for disaster. "The problem with acquisitions is that synergies are not achieved." says one hanker whose fingers have been burnt. You just get a bigger entity with bigger profits. Just because you can ride a bike it doesn't mean you can fly a jumbo jet."

An example of a "deal too far" is Brent Walker's £685m purchase of Grand Metropoli-

high price paid and dabt incurred proved to be the final straw for an already overstretched company as the econ-omy moved into recession. With hindsight the company might have acted differently but critics say the signs were there at the time.

The profit treadmill A succession of profit figures that seem to defy gravity is not all good news. In the 1980s, the entrepreneur could often point to a phenomenal profit record to instify more deals, horrow ings and share issues. But in recession, even keeping profits on a rising trend is difficult. And once on the treadmill, the City can be unforgiving of com-

panies that fall off.
"The boss would promise the City 20 per cent a year earnings per chare growth, and then tell the finance director to find it. says ona corporate

Rising asset values help since costs can be capitalised taking them out of the profit and loss account and including them in the balance sheet value. "Say you buy a property for 2100m and then revalue it at £150m. That gives you scope to capitalise £50m of costs against it - like a helicopter, the financier suggests.

Another way of making use of rising asset values is to pass assets between subsidiaries, crystallising gains and taking m into profits. Other methods are to "frontend" profits, taking profits which directors expect but which have not yet been made. QMH, for instance, used its incentive schemes, where hotel managers promised to meet certain financial targets over the next year but could keep any excess. QMH simply included the amounts prom: - : : : : :

ised in profits on day one. The late Mr Robert Maxwell was notorious for padding out his profits with, for instance, foreign exchange gains and profits on disposals.

During the 1980s banks were keen to lend in a drive for market share. The corporate financier says banks were lending against assets without taking security over them: "Tha most junior analyst could see there was no cashflow." Without cashflow to pay the interest and with asset values alumping in recession, the loans could not be serviced or repaid. "I've been through two recessions After the first I thought 'we've learnt our lesson, we won't do it again' but we dld."

says a clearing banker. He is cynical about the future, believing that hanks will again succumb to compet-itive pressures when the economy next starts to expand rapidly. The mood of the moment will dominate." he eays. Another quotes the banker's maxim: "Lending money is easy. It's getting it back that'e

the problem."
At QMH, the banks, which are together owed £1.2bn, are discussing a financial restructuring of the company which should save at least part of their money. The shareholders, who rank last in the list of creditors, could be forgiven for asking how they were supposed to know the depths of QMH's troubles. The answer is that they might not have been able to judge the full extent of its difficulties; but there were enough warning bells ringing.

Number One Southwark Bridge, London SEI 9HL.
Pax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Essentials to close yawning budget deficit

Sir, Samuel Brittan's article, "An Enigma Behind the UK Recovery" (November 22), asks how much spare capacity is there in the UK economy? The paradox in the Confederation of British Industry survey of the decline of excess capacity combined with the anaemic gross domestic product expanslon is, however, not so diffi-

First, the CBI survey is dominated by companies engaged in manufacturing whareas a much greater share of the intact during the cycle, unable

would guess that retailers, demand in a recession as long increases in taxation and/or bankers, building societies and leep as that at the begin-reductions in public expendimedia could all comfortably cope with an increase in output of 10 per cent from current levels. Second, excess capacity, par-

ticularly in manufacturing. does nor stand idle forever. The convantional analysis of the output gap which extrapolates the trend in GDP and subtracts this from actual GDP is based oo the premise that the capital stock is held largely

recession in the 1990s has been to change swiftly in response taken by the service sector. I to the fluctuations in aggregate ning of the 1980s and 199 some spare capacity will be scrapped. This will reduce but not eliminate the gap. A simi-lar argument applies to labour. The unemployed become progressively less employable the

longer they are idle.

The precise size of the output gap is not particularly rele-vant. It is clear that there is a gap which is unlikely to be reversed for the next two years at least if, as we at Morgan

held below 3 per cent. Massive increases in taxation and/or ture are required to close yawning budget deficit. This, combined with the overhang of debt from the 1980s, will prevent demand from becoming too firm. Further gradual monetary easing in the form of lower sterling and/or base rates is justified. Steven Bell,

chief economist, Morgan Grenfell & Co, 23 Great Winchester Street, London EC2P 2AX

Solution to league tables

From Mr Michael Mavor. Sir, it is amazing what you can do with statistics. Three years ago I presented the head mastar's special prize at St John's College School, Cambridge, to a boy who, according to the senior school for which he was aiming, had scored high marks in his Latin common entrance papers. He had

not taken Latin at all. The latest league tables from the Department for Education giva the impression - and impressions can be as important as facts - that only 85 per cent of Rughy's GCSE candidates gained five or more A-C grades ("Independents remain at top in A-levels and GCSEs", November 17). Your articla refers rather disparagingly to the GCSE performance (my italics) at Repton, Rugby and Halleybury, thus reinforcing the

misleading statistics.
The cohort decided oo by the DFE for these statistics in fact included, among other anoma-

Sir. British banks are chang-

ing the system by which they

process and clear cheques

"Banks set to process cheques

for each other", November 15).

Surely they ehould be taking

steps to reduce drastically the

This has been effectively

accomplished in Switzerland

Every bill that I receiva is

accompanied by a standard

payment transfer form. At the

and of each month I group

together all forms for pay-ments due and sign a single

volume of chemics handled

From T J Walsh,

Keeping a check on cheques

lies (young sixth formers), 15 pupils who ware not taking their main group of GCSEs. Although we went through all of this shemozzle last year l am sad that some newspapers continue to present such mis-leading figures without suffi-cient explanation. In this age group, 94 of the 95 candidates at Rugby who took five or more subjects gained grades A-C; this represents a figure of

The best solution for next year - league tables are certainly here to stay - is surely for the DFE to present statistics by year group rather than age, or (if it sticks to the age group) to show the results of those who have actually taken five or more subjects. If the DFE does not do this a very special head master's prize will have to be invented for it. Michael Mayor,

debit authorisation. I mail all

of these to my bank (in an

addressed envelope which my

bank provides for me) and

within five working days l

receive from my bank an Item-

ised list of the payments which

have been made on my behalf

and confirmation that my

I have a cheque book but sel-

account has been debited.

dom, if ever, use It.

19 Chemin du Dérochoz, 1801 Le Mont-Pèlerin,

La Estancia

Smitzerland

Rugby School, Warwickshire CV22 5EH

Reasons for larger civil service not hard to find From Ms Elizabeth Symons.

Sir, Your leader article "Whitehall Farce" (November 6) falls well short of the FT usual rigorously analytical approach. The reasons why civil service cumbers have risen are not hard to find higher unemployment needs more civil servants to administer benefit: the unprecedented size of the prison population does not keep itself behind bars; VAT on fuel will not collect itself, and paying it back

to those who cannot afford it some 5m people - will need thousands more civil servants to cback and administer Mrs Thatcher cut 100,000 jobs from the civil service, but the taxpayer still pays for the functions which were contracted out. The real cost of that exer-

cise are revealed now when contracts are re-negotiated at well beyond the expected increases. But now there is no civil service alternative. Contractors may complain about favour to in-bouse bids, but civil servants complain about the government's dogmatic preference for the private sec-tor above value for money for the taxpayer - as, for example, with the Capita vehicle licensing plates contract which costs £2m in the in-house bid. Mr Waldegrave's explanation for this was that even where the taxpayer could get work done more cheaply in the pub-lic sector "it might be better done in the private eector". Without explanation, this remark seems to contradict the claim that decisions are based

on cost efficiency, and seems to have its roots more in the philosophical prejudices of the 1970s than the 1990s.

11.18

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The simple solution to this endless process of claim and counter-claim is to involve the National Audit Office in assessing bids received not only as regards costs, but also on value for money for quality of ser-vices provided. As to the old chestnnt of

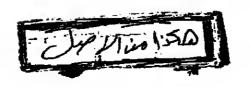
open advertisement for top civil service jobs, we shall all be wiser when the Cahinet Office finally publishes the effi-ciency unit report. But open competition in itself will not provide for a less "secretive" system. Some recent appointments have demonstrated that government ministers take decisions on appointments on the basis of undisclosed criteria, and sometimes in opposition to the interview panel's recommendation. Taxpayers end up footing the bill for enormously inflated private sector salaries. The crux of the issue is that system must be based oo fair and open competition safeguarded by public accutiny; it is therefore unlikely to bear much comparison with the private sector.

The real issue about appointments at these levels is the threat of the politicisation of these jobs. It goes to the heart of the maintainence of a politically neutral civil service. Elizabeth Symons,

general secretary, The Association of First Division Civil Servents, 2 Caxton Street,

The same of the sa A prophecy can only ever be as reliable as the prophet who makes it. For The World in 1994' we have brought together over 50 of the most reliable analysts in the fields of economics, 1994 a happy new year.

sociology, industry, technology and politics. Read what they all have to say



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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Thursday November 25 1993

New moves in Bosnia

international peace efforts in Bosnia, of which so many have come to grief, are understandably greeted with increasing sceptithe European Union has the merit of once more directly involving governments in the negotiations, instead of putting all the caus on the two international negotiators, Lord Owen and Mr Stoltenberg That might just give the whole exercise more weight, particularly since US and Soviet representatives have been asked to join the Twelve in the talks due to start in Geneva on Monday.

The proposal agreed by the EU foreign ministers this week seeks to adopt a hard-headed approach, which is a far cry from the abortive Vance-Owen plan, with its emphasis on an equitable division of the three ethnic communities into provinces within a unitary Bosnian state. It offers a progressive suspension of international sanctions against Serbia if Bosnia's Moslems are given 3 to 4 per offered in last September's plan for the partition of the country into three ethnic mini-states.

That is a realistic proposition, at least in principle, since Bosnia's Moslem-dominated parliament rejected the plan precisely because it fell short by some 3 per cent of the Moslems' territorial demands. Yet it is bound to be criticised by those who feel that the Bosnian Serbs have already heen amply rewarded" for their ethnic cleans ing policies by retaining much of the land that they have conquered

> too small to be effective on the international scene. The equation

case with some privatised utilities. The future of UK broadcasting

needs to be understood in a wider

context. Though the industry

wishes to cling to its monopoly

past, events are fast moving out of its grasp. Changes in technology mean that broadcasting is not gov-

ited supply of frequencies between

ITV companies and the BBC

Rivalry from satellite and cable

TV is growing rapidly. In future,

digital broadcasting and the abil-ity to pump TV pictures down

telephone lines will provide fur-

ther sources of competition. There

is also a powerful, if rather unfo-

cused, trend to integrate different

media - the so-called multi-media

At present, the UK media sector

is hampered by a criss-cross of

regulations, of which the restric-tion on ITV takeovers is just one.

It is moderately encouraging that

ministers, yesterday promised to

examine the rules preventing

newspaper groups owning ITV companies. But if Britain's full

hroadcasting potential is to be

unlocked, a strategic review

rather than a piecemeal approach

ed to share a lin

erned by the

revolution.

The proposed changes to Independent Television ownership rules are a cause for neither joy of size with effectiveness in world nor anguish. While a flurry of A sleepy erstwhile monopoly takeovers between the regional double its previous size will not necessarily be any better at wingroups should not harm viewers' interests, the timid liberalisation announced yesterday will do little ning business overseas. The more to enhance the competitiveness of vaste shareholders' funds on foreign escapades, as has been the

UK broadcasting. The absurdity of stopping large. ITV companies acquiring each other has been rammed home by the fact that hostile bids will be allowed from elsewhere in European Union from next year. Viewers will he protected because. regional programming commitments are enshrined in the ITV franchises. Concerns that mere could reduce competition are best dealt with by the standard competition authorities.

Nevertheless, the arguments used to justify the naw takeover regime give cause for concern. On the one hand, ministers decided to go for modest rather than total deregulation out of fear that the system could be put under "unnecessary strain". The danger with such talk is that the ITV companies may think it OK to huddle together in defensive mergers. This would merely perpetuate the weakness of gronps which have grown up in a monopolistic culture. The sooner the ITV companies realise they are operating in the world of husiness, where

strain and challenge are the daily reality the better. On the other hand, the reason for allowing any mergers at all is a benef that ITV companies are

President Slobodan Milosevic. the Serbian president, who has called a general election next month, would undoubtedly greatly benefit from a lifting of sanctions These have caused immense hardship both in Serbia and its ally Montenegro, provoking serious shortages of all kinds and unprecedented levels of hyperinflation and unemployment.
Whether Mr Milosevic can

deliver the Bosnian Serbs, how-ever, is quite another matter. Whereas he can probably twist the arm of Mr Radovan Karadzic, the Bosman Serb political leader. it will be much harder to bring the military into line. The new plan has already been rejected by Gen Ratko Mladic, the hardline com-mander-in-chief of the Bosnian Serb army, whose contempt for agreements reached by political leaders appears to be a matter of

This is a serious problem, since the military on all sides have a vital role to play in guaranteeing the safe passage of United Nations relief convoys at a time when harsh winter weather is threatening the lives of hundreds of thousands more Bosnians.

chaotic here, wa are reminded of the consequences by pressure on Unless the talks make progress the lira and losses on the bourse. Equally, Italy wants to be a responthis may be the last winter of UN ment in Bosnia. The main sible member of the international contributors to UN forces in the community and there are limits as former Yugoslavia, such as France to how irresponsibly we can behave and Britain, are now seriously thinking of withdrawing their The previous government of Mr Guiliano Amato cleverly exploited troops next year if the political this argument to the full in steering then face continued war, tougher reforms and the hudget through parliament last year. Mr Ciampi,

sanctions and no prospect of an end to its diplomatic isolation. futures

Nevertheless his experience as a central banker should give added weight to his insistence that Italy's credibility now depends on quick approval of the 1994 budget. He also managed to persuade Mr Achille Occhetto, the leader of the former communist Party of the

ersuaded to leave the governorship

of the Bank of Italy to become

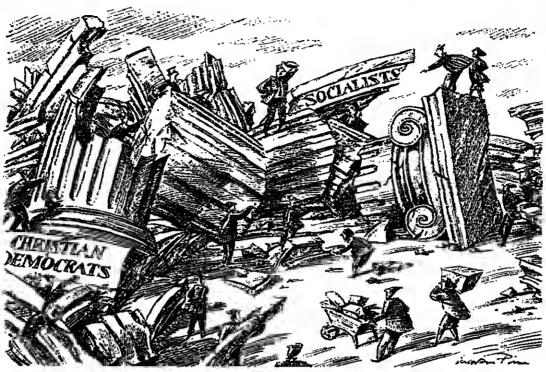
prime minister in May, may lack

the political background to play

this game of political halancing.

Italy's old political order has collapsed and a new one is struggling to be born, writes Robert Graham

Faint signs of life among the ruins



on Tuesday with a formal statement backing the hudget. Mr Occhetto, fresh from the success of his party in the municipal elections and a possible partner in a future government, demonstrated he has every interest in appearing a responsible igure. Behind the bellicose rhetoric of Mr Umberto Bossi, the leader of the Northern League, a similar real-

ism probably lies. The hudget envisages raising L32,000bn (£13hn) through extra taxes and spending cuts to hold the public sector deficit to below 9 per cent of gross domestic product. The bulk will come from sharp reductions in spending in all ministries, as well as through a shake-up of the civil service. Parliament has been quietly seeking to erode parts of the austerity package and preserve the public administration from predatory cuts; thus there is a sizeabla element in both houses with an interest in altering the hudget and

the spending cuts. However, the government is ready to resign if the hudget fails to

pass before the end of the year - as it must by law. Were the government to leave en masse, parliament would almost certainly be unable to spprove legislation altering electoral constituencies.

Further, the fall of the Ciampi government on the hudget issue would leave no alternative but to go to the polls immediately, without constituency changes. This would make a mockery of the new firstpast-the-post system because electoral houndaries would not have heen redrawn. Despite the rumhlings from some Christian Demo-crats and Socialists, it is therefore hard to see the budget failing. The parties' sense of realism will

ride side by side with a ferocious battle for political power, however, This has been all too evident as more and more of the dying weakening both the fiscal side and regime's dirty linen floats to the

surface, in the past two months the Italian public has been treated to stories of a rebellious military preparing coups, and revelations about the misuse of secret service funds to hankroll the private lives of politi-

So much mud has been flying that some at least has stuck to every institution, including the presidency. President Oscar Luigi Scalfaro was obliged to go on television at short notice to deny reports that when he was interior minister he knew about the misuse of secret service funds. This is the one ministry the Christian Democrats have never relinquished since 1946, and it has influenced some of the most sensitive aspects of national life. It is widely beheved to have sat on the truth about many poorly explained events, including links between politicians and the malia and the kidnap and killing of former premier Aldo Moro.

As the old edifice crumhles,

ling over the inheritance and desperately laying down markers for a stake in the next republic. The exis-tence of so many latent scandals, to say nothing of the ongoing corruption investigations, is a potent destabilising element. But the collapse of the old parties reduces the relevance of such muck-raking since it affects people and institu-

tions on the way out. The timescale in which the political parties have to regroup or recycle themselves is very tight if elec-tions are to be held in March, as expected. The need to regroup explains why the Christian Demo-crats and their allies will still do all they can to put back the date as

ven during the summe after an earlier round in June of poor municipal election results, the Christian Democrats were still confident of remaining the country's largest party. Having conceded begemony in the north to Mr Umberto Bossi's Northarn League, the party had hoped to remain the dominant force southwards from Rome, leaving central Italy, the old "red belt", to the PDS.

This scenario no longer applies The league has established itself as with one third of the vote: while the neo-fascist MSf has emerged to take wards. Tha only party capable of a sizeable national presence is the former communist PDS.

The rise of the MSL which owes its inspiration to the corporatist state and law and order policies of Mussolini, might seem perverse. But on closer inspection it has cap-tured those who have deserted the old ruling parties and are reluctant to endorse the left. The new electoral laws for local elections encour age a polarisation of politics - and electorate has simply opted for the few parties untainted by power

The full impact of the MSI cannot be assessed until after the run-off in mayoral elections, due on December 5. In Rome Mr Gianfranco Fini, the MSI leader, is challenging Mr Fran-cesco Rutelli, the Green candidate backed by the PDS and a leftist alliance. In Naples, Ms Alessandra Mussolini, grand-daughter of Il Duce, is in a run-off against the PDS

If the PDS and its supporters fail to win both cities it would be a serious blow and the political panorama would be even more con fused. On present form, it would mean that in the run-up to the next absolutely no clear alliance likely to form a stable government. But at the moment, even one day is a long

A blueprint for quality quangos



taking more and tall more power away from local government. The trend is PERSONAL at odds with the

Italy has acquired a new

and more chaotic rhythm. Until last Sun-

day's local elections, the

ruling parties looked capable of

either delaying or blocking genuine

reform of the political system. But

the speciacular collapse of support

for the Christian Democrats and

their allies has removed this possi-

The system of political and eco-

nomic power, constructed and refined over four decades by the

Christian Democrats and their henchmen, has begun to implode. In

parliament, where their four-party coalition notionally enjoys a work-

ing majority, they account for no

more than 15 par cent of the national vote. Yet these discredited parties are meant to be the pillar of

parliamentary support for the gov-

ernment of Mr Carlo Azeglio

This raises worrying questions.

not only for Halians, who initially reacted with mindless shock to the

new political geography, but also for Italy's international partners,

ernability, its commitment to tackle public finances and press on with

The fears are genuine, reflected in the sharp falls on the stock market

and the decline in the value of the

lira in the early part of the week.

However, they need not be exagger-ated, provided Italians retain their

fine sense of self-preservation and

chose not to shoot themselves in

the collective foot by backing away

since the general elections (April 1992), the political parties have

always been brought face to face

with reality hy the markets,

"In other words, when things get

claimed one senior politician.

"Throughout the period of change

from reform.

ambitious privatisation plans.

acerned about the country's gov-

VIEW renewed interest in local accountability, as manifested in the work of tha Local Government Commission and urban partnership projects like City

Health authorities training and enterprise councils (Tecs), development agencies and housing trusts are all quangos that operate at a local level with substantial budgets and powers. But all are nationally appointed by the relevant secretaries of state, and, as a consequence, have doubtful credentials when it comes to accountability and

Few wish to see such bodies again run directly by local authorities. But there is a widaly recognised need for reforms to make such bodies more accountable and more responsive to the main users. What

quangos in the UK and more efficiency, both of which is increasing at a can be nurtured by more "contesta-significant pace, bility". It would involve two innova-business plan; and how they would ation transparent, since each hidder tions: first a new approach to appointment; second a new public power of dismissal. Appointment of hodies such as

health authorities would be the responsibility of an 'appointment commission" representing the set of democratically elected institutions with a legitimate interest in the make-up of the relevant organisations. This could take the form of one-third national government, onethird local government and onethird other stake-holder interests

agreed hy both groups.

The appointment of a new board would be announced publicly, with a six-month lead-in time. Their first budgets would also be made public. providing a transparent framework for potential hidders. It would then be open to any group to apply to become the board, just as a contractor would bid to run a local service. These bidders might range from companies or groups of local gov-ernment officers to campaigning organisations. Bidders would be

The number of is needed is better accountability required to set out their plans: the targets (if any) they aim to achieve; meet their framework budget. The *appointment commission" would then, hy successive rounds of elimination, choose a winner.

This model has several virtues. It

There is a recognised make such bodies accountable to the

diate body would probably result. achieve and could be called to account at a later date.

need for reforms to main users

would encourage creative "coalition huilding" - for example, between groups of doctors, administrators, health activists and general practitioners. It would be difficult for a hoard to represent only a narrow range of interests, and almost impossible for it to be used as an arm of party patronage as is often the case at present. It would encour-age the evolution of more co-operative structures - strategic alliances

OBSERVER

culties involved in mobilising 5 per cent of any population. Such a power of removal could dramatic ally influence the behaviour of such The idea has an interesting paral-

lel. The task for public policy makers in monopolistic industries has The second requirement is to inject a credible competitive threat: been to replicate some of the effects of competition by making market a mechanism whereby a board can he removed if it under-performs. entry easier. In the utilities the reg-This could work very simply. If a ulator's task is to ensure that, even without the reality of competition, the threat - termed contestability hoard is deemed to he acting against the public interest, the releof competition forces managers to vant electorate would be able to petition for its removal. Five per behave more efficiently. cent of the population covered by a particular body - whether a Tec, health authority or urban development corporation - could sign a for-mal petition to demand a referendum on whether to retain the current board make-up. Ideally this would coincide with a local or national election. If the referendum

In governance, too, there is now a need for more imaginative mechanisms which can marry accountability and efficiency and an appropriate level of public involvement. Contestability offers a good alternative to Whitehall patronage on the one hand and Town Hall patronage on the other.

Geoff Mulgan

The author is director of Demos, an independent think tank

Trade talks

The passage of the North American Free Trade Agreement set the stage for successful completion of the Uruguay Round of multilateral trade negotiations. Unfortunately, events since then demonstrate how difficult it will be to finish this play. With only three weeks left before the December 15 deadline, difficult issues need to be resolved right now. Not only is this not happening, but the US is even introducing new problems at this very late stage in the

In his statement to the Trade Nagotiations Committea in Geneva last week, Mr Peter Sutherland, the Gatt's director-general, was even moderately optimistic. Eighty-three participants have made offers on market access; the principle of comprehensiva "tariffication" of non-tariff barriers has been generally accepted; 85 participants have made initial offers on services; and new revised texts on the multilateral trade organisation and dispute settlement have also Unhappily, there remains a host

of unresolved old issues, to which new ones have been added. Under market access, for example, Mr Sutherland lists agriculture, textiles and clothing, tariff harmonisation, alectronics, and leather products and footwear. Proposals to eliminate tariffs on steel products also remain critical if balance is to be achieved in the market

access package.

Meanwhile, the US has outraged other participants by introducing a proposal to permit discrimina-

tory taxation of foreign providers of financial services. It is also planning to dump on these negotiations at this late date new proposals aimed at making the scandalously protectionist antidumping policy still more so. Equally disturbing is the agree-ment by Mr Clinton to seek a 15year phasing out of the multi-fibre arrangement, as part of the price peid for Nafta. No wonder an exasperated Mr Sutherland stated that "now is the time for heads of dele-gation to put solutions rather than problems on the table".

Those solutions have to come from the negotiations between the US and the EC, tha two chief actors. They must soon reach the hasis for the final global package. Unfortunately, this week's discussions between Mickey Kantor, the US trade representative, and Sir Leon Brittan, the EC's chief negotiator, seem to have done more to clarify their disagreements than

resolve them. Next week's discussions in Brussels must achieve far more. To mollify the French, for exampla, the two sides will need to agree an "interpretation" of the Blair House accord on farm trade as effective as the "clarification" of the Danish position under the Maastricht treaty. Similarly, they will have to agree the outlines of a comprehensive market access agreement. Next week's meeting offers almost their last chance They are ohliged to succeed. They have no acceptable alternaKen Clarke – supervatman?

Kenneth Clarke is but a few days away from his big test, his first Budget as chancellor. Within that is contained yet another struggle, dare he risk the wrath of Britain's newspaper barons by imposing value added tax on papers and magazines?

Of course, no threats are openly heard. But Observer understands that the chancellor has been receiving plenty of unsolicited advice. Viscount Rothermere, whose Daily Mail is one of the government's staunchest supporters, has had a two-hour private meeting with Clarke'a boss; he can be trusted to have put a persuasive case.

Meanwhile. The Spectator magazine, part of Conrad Black's empire, has tried to get into Clarke's good books by letting him win one of its annual parliamentary Oscars yesterday, its debater of the year prize. However, if Clarke has read the

memoirs of Lord Lawson, a former chancellor, he will know that one of Lawson's biggest regrets was letting himself be talked out of imposing VAT on newspapers in his 1984 Budget by Mrs Thatcher. "Look Nigel," she told Lawson, "this is a wonderful Budget and you should get a wonderful reception. You don't want to spell that by putting VAT on

newspapers." Lawson's advice is simple. A new chancellor has only one real chance of slapping VAT on newspapers - in his first Budget.

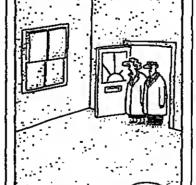
Timely advice

 Meanwhile, another ex-chancellor, Lord Callaghan, also had a few tips for Clarke when he presented him with his debating award. Callaghan, who resigned after devaluing sterling in 1967, recounted that shortly after he moved into the Treasury his attention was drawn to a short letter in The Times. It noted that since the war Britain had had two types of chancellor. Those who left in disgrace and those who got out

However, the best line from the 81-year-old Lord Callaghan, was his tale of a mix-up at a G7 meeting he organised in Downing Street. A bemused American was perplexed by a wallmap full of red pins which he had found in his temporary quarters at Number 10. We know the pins are not our nuclear bases in Britain and as far as we know they are not yours," said the Yank. Simple, explained Callaghan, they represent the hishoprics of the Church of England.

Writ large

■ Michael Heseltine, Britain's secretary of state for trade and industry, profferred some advice



'Oh no! We've had artists'

to those gathered at the Institute of Directors' dinner on Tuesday

When he was in husiness he met his finance director every Friday afternoon to talk about some, but not all, the creditors. As he put it "Sometimes in life it's better not to know too much."

He placed his creditors in three categories; those who had sent solicitors' letters; those who had issued writs; and those whose writs were 14 days' old, Heseltine's advice? Always pay off the third

category. An axiom which may well usefully inform the Department of Trade and Industry's current investigation into ways of dealing with the problem of late payments

went against the incumbents, by a

simple majority, the appointments

procedure would be set in motion to

choose an alternative group. The

approach would mimic purer demo-

cratic forms, but would only need to

be used in extremis, given the diffi-

Eau de hype ■ Nestlé may be the world's largest producer of mineral waters, but it's imbibing too much carbonated water for its own good – its It trumpeted yesterday the

stablishing of the Institut de l'Eau Vittel-Perrier, to carry out research in all matters pertaining to its wondrous products. Ramón Masip, a colourful Catalan who heads Nestlé's food businesses,

managed to keep a straight face when explaining the sorts of things this cutting-edge institution would investigate; the effects of various minerals on health and digestion; the influence of various containers on the taste and shelf life of mineral waters; and improved drilling techniques to prevent impurities leaking into underground pools.

Oh yes, he added, it would also be good for publicity.

Caught short

■ A stockbroker offering to sell 20,000 shares when he meant to sell 2,000 might be considered unfortunate. But to try to sell 200m shares worth \$1bn - as Thai stockbroker Phatra Thanakit did the other day - is mind-boggling, especially since the company in

question, Ayudhya Investment and Trust Co (Aitco), only had 25m shares in issue. Rival Bangkok brokers spotted

the error and started buying more of the non-existent stock - adding to the problems of the well-connected Phatra, which co-operates with S.G. Warhurg in researching Thai companies.

Phatra's shares were suspended, much to the embarrassment of Phatra's president, Viroj Nualkhair, who is also vice-president of the Stock Exchange of Thailand. Luckily for him and his firm, the stock exchange cancelled the relevant transactions, but not before more than 18m Aitco shares

had been bought. A post-mortem is being conducted to find out how the extra five zeros crept into the sell order from a sub-hroker. But if it simply hlames a faulty computer, then the central issue will just have been ducked. Did Phatra contravene

regulations, by allowing sub-brokers' orders to be routed automatically through its computer system to the market?

Ramifications

Terry Maher, the recently ousted boss of Britain's second higgest chain of booksellers, need look no further for the title of his forthcoming memoirs, mentioned in Observer last week.

"Maher Maher Black Sheep", a reader helpfully proposes.



FINANCIAL TIMES

Thursday November 25 1993



China to spend \$140bn on infrastructure plan

By Tony Walker in Beijing

China plans to spend 700bn yuan (\$140bn) by the year 2000 to overcome chronic transport bottlenecks restraining economic

The official Xinhua news agency says China will pour funds into bullding railways, highways, waterways, pipelines and civil aviation facilities.

Foreigners will be encouraged to invest in Chinese infrastructure as partners in joint ventures or as sole operators. Hong Kong entrepreneurs are already deeply engaged in infrastructure projects, including toll roads, ports and power stations.

Reports by the World Bank and other institutions cite inadequate transportation as one of the main barriers to faster and more orderly economic development. The new infrastructure blueprint

A plan to boost the total

ity would be increased by 20 per cent to help meet demand in an economy expected to grow by 8-9 per cent annually. China's overstretched rail system can cope only with 60 per cent of indus-

 A road-building programme to add about 200,000km to the country's inadequate network. Only 5,000km of the present 1.02m km are classified as highway, properly paved and consisting of more than one lane each way.

 Doubling the number of ports to 600. An estimated 50 per cent of ships calling at China's cargo-clogged ports have to wait days

Xinhua said "bolder steps" would be taken to encourage for-eigners to invest in China's infrastructure. The agency did not specify what thet meant, but the Chinese authorities have been actively seeking outside help by offering a range of incentives for build-operate-transfer projects. provided by the World Bank and foreign governments, China will walcome foreign investors to run joint ventures or solely-owned ventures in the construction of railways, highways and civil aviation facilities other than air con-

"Meanwhile, the country will encourage localities and enterprises to construct docks, roads and railways for their own usa." Provinces are being asked to redouble their efforts to tap alternative sources of financing.

China and South Korea agreed yesterday to build a 570km undersea tslecommunications fibre-optic cable to carry 15,000

The agreement reflects growing trade links between the two countries since relations were stablished in August last year. Work on the cable will start next June and is expected to be completed by the end of 1985 at a cost

C&W sends Michael Manley to help win Cuban contract

By Canute James in Kingston and Andrew Adonis in London

Mr Michael Manley, the former Jamaican prime minister, has been recruited by Cable & Wireless, the UK telecommunications group, to lead negotiations with the Cuban government about possible C&W involvement in modernising Cuba's telephone

The talks signal a further relaxation by the Castro regime in its attitude to foreign investment. Earlier this year it went some way towards legalising use of the dollar in Cuba, and has promised further currency liberalisation.

The Cuban government is believed to be talking to at least two other telecoms operators besides C&W, including Telefon-ica, the Spanish state operator. Latin America. No US telecoms company appears to he involved. C&W. whose interests centre

on the UK and past and present UK dependencies, operates in 18 territories across the Caribbean region. It owns 80 per cent of ecommunications of Jamaica, and has significant operations in Barbados, the Cayman Islands, Bermuda and Trinidad and

Mr Manley, who resigned his premiership in March 1992, said he had already visited Cuba on C&W's behalf and had met President Fidel Castro and other leading government officials. He said he told them C&W had invested beavily in Jamaica to improve the Island's telecoms, concentrating on building networks in rural

areas.

Mr John Carrington, C&W's nity in the US is high.

which has significant interests in Caribbean director, said talks were at a preliminary stage, but the company was "very keen" to operate in Cuba provided it could be arranged without offending

> Cuba's state telecommunicastate monopoly, offering lines to only a tiny fraction of the 11m

in July the US State Depart coms companies seeking to provide phone links to Cuba. future telephone revenues for international calls.

Demand for telephone links among the Cuban exile commu-

tions company already has a joint venture with a private Mexican company to operate a cellnlar mobile network. However, the antiquated fixed-line network is a

ment relaxed restrictions on teleallowing Cuba to receive half of

Russian poll shows lead for Gaidar

By John Lloyd in Moscow

An authoritative poll in Russia's cities and towns shows a clear lead for the liberal reformist Choice of Russia political bloc, headed by Mr Yegor Galdar.

ing beaded by Mr Grigory Yavlinsky not far behind, with both of

29.2 per cent and Mr Yavlinsky's group with 20.5 per cent of the vote. The Russlan Communist party is next, garnering 7.7 per

ATT TO A COLUMN

The large high pressure area in Russia will

temporarily weaken but will continue to dominate central Europe. Central and

Eastern Europe will be settled and frosty

with widespread cloud and isolated snow flumes. Sunny intervals in the Low

Countries, Denmark and Germany will boost afternoon temperatures well above freezing.

Cloud will prevail over Scandinavia with rail along the Norwegian coast and snow over Finland, Patches of fog and low cloud will

Europe today

persist in France. The western

Five-day forecast

Mediterranean will have a lot of rain, sometimes accompanied by a rumble of

One of the surprises is the very low showing of the Party of Unity

and Accord, beaded by deputy prime ministers Sergei Shakhrai and Alexander Shokhin. They poll a mere 3.7 per cent, below the 5 per cent minimum vote needed for the party to have seats in the lower bouse.

campaigned on a programme of between the reformist groups

before the elections, but with no

VW board meets to head off

By Christopher Parkes in Frankfurt

losses

Renewed efforts to lift

According to independent esti-

He will also be closely questioned on the group's relatively poor showing in Europe this year and on his plans for rebuilding

operations.
The circumstances surrounding the Spanish Seat subsidiary's unexpected crash into losses of at least DM1.25bn this year will fig-ure in a report prepared by inde-pendent auditors, KPMG Deutsche Treuhand, on the orders of Mr Klaus Liesen, chairman of the

The document is believed to blame poor financial controls and reporting systems. Seat's losses, discovered in late summer, followed the collapse of a new busiess plan drawn up on Mr Piech's orders and designed to

Analysts suggest that the

The KPMG report also contop production executive, bave

been used by VW. Criminal investigations are in progress against Mr Lopez in Germany and the US after his abrupt departure from GM in March. Hamburg prosecutors are exam-

worsened dramatically this year, dashing Mr Piech's early hopes of a break-even in his first year of

according to the Opel projections

Volkswagen out of the red will head the agenda at a meeting of the automotive group's supervisory board in Wolfsburg tomor-

mates, the company is heading for a loss of about DM2bn (\$1.1bm) this year and faces fresh challenges in 1994, when its important domestic market is expected to shrink by at least 5 Tomorrow's discussions will

cantre on a draft agreement with unions, expected last night, to reduce labour costs by temporarily introducing a four-day week in VW's six German factories. But Mr Ferdinand Piech, group chairman, is also expected to seek approval for cuts of about a third in his medium-term invest-

its lossmaking US and Japanese

supervisory board.

renerate a break-even result.

group's 1993 results will be rushed further into the red by the costs of closing Seat's Zona Franca plant in Barcelone, and by redundancy payments.

firms that investigators have not found any evidence that industrial secrets allegedly stolen from General Motors by Mr José Igna-cio López de Arriortúa, a former GM director and now Mr Piech's

ining a possible perjury charge.

The group's difficulties have

Although the company expects to sell 1.4m VW marque vehicles in 1994, unchanged from this year, husiness plan forecasts drafted at Adam Opel, the local GM subsidiary, say total new registrations in the German car market will reach only 3.02m com-pared with 3.2m this year and 3.93m in 1992. The industry total will slide below 3m in 1995,

THE LEX COLUMN

Switching channels

From the government which brought the nation the farcical ITV franchise auctions comes another blockbuster of legislative muddle. For the accord time in as many years, the government is proposing to tamper with the industry's structure, turning the quoted television sector into a speculator's playground. The proposed relax-ation of the franchise rules has already resulted in stock market mayhem as investors anticipate a rash of takeovers reducing the 14 ITV compa-nies to just eight. A failure of bids to materialise will produce some nasty

However, it would be surprising tf Granada did not now tilt at LWT. It is also a racing certainty that Carlton will bid for Central, although the OFT may worry about its combined share of ITV advertising revenue. Both thes targets could, of course, make bids themselves to try to evade takeover. The hypothetical bidding scenarios which could result are mind-hoggling.

The change in the rules will throw up unmissable opportunities to grab a er slice of the ITV network. It could still be tricky to make the take-over sums work. Television companies are relatively transparent and bidders will have a good idea of their target's current worth. But the ITC's insistence on regional programming will prevent the wholesale rationalisation of costs. Moreover, ITV companies will equire rights issues to fund acquisitions. Yet they will have to raise money in ignorance of the future shape of the industry and with the fate of the BBC and the laws govern-ing cross-ownership of the media still

PowerGen

The heavy provisions which both PowerGen and National Power carry mean that they look more like Swiss banks than electricity companies. PowerGen topped up another £12m yesterday, offsetting the £11m it has spent in the first half. The provision was to index the present value of long tail liabilities, but the £300m total it has stasbed away for a rainy day looks excessive for such a well capitalised company. The latitude allowed finance directors to interpret the hhurred bor-der between prudent accounting and profit-smoothing is something the Accounting Standards Board could usefully address.

Another of the generators' little nest

eggs is also beginning to hatch. Power-Gen's coal stocks fell by 1.25m tonnes

FT-SE Index: 3067.7 (-2.1)

Store trice related to the

in the first half - releasing £46m in cash. If its stocks decline to 5m tonnes over the next 2 years, working capital will be cut by a further £300m. With such a cast iron balance sheet, the company is hoping that diversification will make its capital work harder. If that induces a justifiable queasiness, at least PowerGen has proved itself a good project manager on its mainstream capital expenditure pro-

It will be difficult, however, to find sufficiently attractive projects to put the company's financial power fully to work. If PowerGen is as prudent as its accounting, shareholders may ses some of their equity returned. That will only increase the financial attractions should the generators avoid a blind date with the Monopolies and Mergers Commission.

Kwik Save

Kwik Save's full year figures cast little light on what the future holds. While European discount chains have long been a threat, the big guns of UK food retailing started cutting prices only after the financial year end. The performance of Kwik Save's shares reflects as much: holding up well to the end of August but falling by 20 per cent since. More important than the 14 per cent rise in profits, then, is the message that sales growth is now slowing as competition takes hold.

Having set out its stall as a discount chain, Kwik Save has little option but to match J. Sainsbury and Tesco on price. Margins are being defended by asking suppliers to fund price cuts. As a champion of branded goods, Kwik Save holds strong cards in such negobe squeezed so far. Kwik Save has in the past sacrificed margin in favour of volume growth and it would be strange if the company reacted differently to this latest challenge. How far margins might have to fall to keep sales moving is in the hands of the

With a return on capital higher than its peers – and a store opening programme funded entirely out of cash-flow – Kwik Save can afford to keep expanding even as the pressure builds. But new stores alone will not deliver earnings growth if margins are falling ment turn out to be much lower than in the past, the argument for spending less and distributing more to share holders will be compelling.

Tate & Lyle

Tate & Lyle's share price is now back to within spitting distance of where it was when the company issued its profits warning in September. In the light of worries elsewhere in the food sector that is a doubly commendable performance, so there are grounds for wondering whether the warning was necessary in the first place. Doubtless companies should not allow expectations to stray too far out of line. But it also helps to massage expectations. On that basis, incidentally, it is hard to see many being willing to correct assumptions that are too low. The important thing is to pre-empt disappointment on the day. Attention yesterday focused less on Tate's mere 17 per cent increase in profits than on the thought that its prospects are slowly improving.

Last year, currency movements accounted for nearly two thirds of the increase in profits. This year the emphasis should be more on underlying growth, with improvement in the US stemming both from higher sugar prices and from cost cutting at Staley. There should also be some recovery of

the European sweetener market.
Together with Tale's strong cashflow and its own estimate that
changes in the last budget defer the onset of an ACT problem till 1996, this leaves scope for continued dividend progression. Tate will doubtless hope that this pushes its share price high enough to encourage conversion of its preference shares. Interest cover of 5.7 times leaves little to fear in gearing of 78 per cent. A lower figure would provide more flexibility for expansion

The poll also shows the group-

The survey, to be published today in the newspaper Sevodnya, shows Choice of Russla with

The strong showing for Mr Yavlinsky's party, which has

accent on wider privatisation as well as (on the part of some of its leading candidates) opposition to the draft constitution, points to a powerful role for the group's leaders in the next parliament if they can sustain the momentum. Mr Yavlinsky has had talks with Mr Gaidar on co-operation

result so far. As the election campaign gathers momentum, neighbouring former Soviet states have reacted angrily to attempts by Mr Andrei Kozyrev, the Russian foreign minister, and other leading politicians to use the position of ethnic Russians in those states as an election issue. President Boris Yeltsin of Rusties of Moscow to draft a decree on privatisation of property in the capital, according to Mr Yury

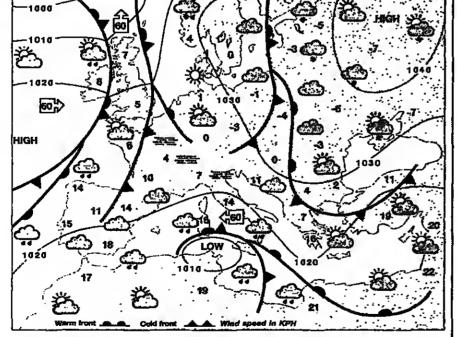
Luzhkov, the city mayor. would gain control of a process that has been largely controlled by Mr Anatoly Chibals, the deputy prime minister and chairman of the state property com-

OLISROYCE LOWREST WITH CONTRACTS MOREH EGG MILLEON WON Three major power station projects so made with a teleft vilue of 560 million were secured last week by the Rolls Rever Lands built Power Group The orders all provide valuable manufacturing and project management worksfor Parsons Turbing Ceneral MAJOR ENGINE ORDERS FROM UPS AND BRITISH MIDIANO United Parcel Service of the USA has selected \$ \$211-535 engines to power their new Boeing 757 aircraft. The paint of the business to Rolls Royce is £93 million. In the CK, Haffel Midland placed a £70 million order for Tay engines to power as the 70 and Fokker 100 aircraft.

McD PLACES £140 MILLION OR DER A £140 million contract from the Ministry of Defence for the next generation of bridging for the Army has been won by Thompson Defence Projects - part of the Burnstrial Power Group. The sales potential of the bridging system is expected to be substantial

INDUSTRIAL TRENT GAS **TURBINE LAUNCHED**

The industrial version of the Rolls-Royce Trent aero engine has been officially launched and a first customer announced. The Trent will be used for land-based power generation and will have the highest efficiency of any industrial turbine in the world.





FT WORLD WEATHER



For a wealthier business

and a healthier life

Stora swings back into black

Stora, Europe's leading pulp and paper group, swung strongly back to profits in the third quarter of 1993. Profits after financial items for the three months were SKr264m (\$31.5m), compared with a SKr333m loss in the same 1992 quarter.

Cleaning up in India
Unilever and Procest & Gamble, champions of
soaps and detergents markets around the world are preparing to do battle in a country with 890m potential consumers. Not far behind them are other multinationals, including Henkel and Benckiser of Germany and Kao of Japan. Page 19

Swift rebate to customers Swift, the electronic network owned by 2,000 banks, yesterday responded to growing competition to handle cross-border payments by announcing a 20 per cent rebate for its customers. Page 20

Channel tunnel claim settled A row between Bombardier, a Canadian supplier of trains for the Channel tunnel, and Transmanche Link, the main contractor, over a C\$746m (\$565m) claim to cover cost overruns has been settled, the two sides announced. Page 21

British Midland in SAS link British Midland Airways, the second largest UK carrier, is strengthening its relationship with Scandinavian Airlines System by taking over SAS routes from the UK to Scandinavia as well as eight SAS Boeing 737-500 aircraft. Page 23

Bitter fruit of peace process Farmers in Israel are worried they might be bombarded with cheap fruit. Their counterparts in the Gaza strip can produce high quality fruit and vegetables at half the cost in Israel. And the peace process means free trade is an imminent

prospect. Page 24

An article on November 15 referred to an "alliance" between Sprint and Unisource. Sprint in fact has a value-added network inter-connection agreement with Unisource, not a formal

The New Zealand stock

blow received following

this month's general elec-

tions. Businessmen whose

identities are still secret

a massive advertising cam-

had invested millions to

paign which had warned

everyone of the dangers

of abandoning FPP. After

A shock in New Zealand

NZSE 40 tribet relative to market is taking its time Pacific excluding Japan: to recover from a severe (FT-A World Index). How received following

the election, the initialreaction was that the husiness community had got the worst of all outcomes. Back Page

22 Hozelock

21 KNP 21 Kansel Electric

21 Kewill Systems 22 Kitty Little

Lowndes Lambert
ML
Merrett
Mercaligesellechaft

NCR Nestié Nobel Industries

Optometrics Osborne & Little

Scottish Hydro Scottish Power Stora Tate & Lyle

Tex Thorn SMI

Wacoal 19 Wagon Industria) 23 Walt Disney 18 Werner-Lambert 19 Wentworth Inti

Platignum
PowerGen
Proton
Culck Save
Royal Bk of Canada:
SAS

Tokyo Electric Power

Companies in this issue

Aberforth Split **BF** Goodrich

Bank Hapoalim British Midland Caledonia Inva Chubu Electric Power **DFS** Furniture Doutsche Bank Dunedin Worldwide

Euro Disney F&C Emerging Markets Fairbaim European Fatcon Holdings

Market Statistics London share service London tradit, options Nanaged fund service FT-A world indices Back Page FT fixed interest indices Nour Int. bond lesues World stock mkt Indices

Chief price changes yesterday

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CTHE FINANCIAL TIMES LIMITED 1993

Thursday November 25 1993

Deutsche Bank's Italian arm expands

rities market, at the L18,279 a

share it is paying the bank's con-trolling shareholder, Banca Popo-lare di Novarra. The offer will

within the

man of Walt Disney,

marked the occasion of

his signing of the agreement in 1987 to open the EuroDisneyland

theme park in France, hy pres-

enting Mr Jacques Chirac, then

the French premier, with an orig-

inal slide from a Disney cartoon - the witch handing the poisoned

This choice now seems eerily

appropriate as Disney starts the

painstaking process of restructur-

ing the finances of Euro Disney.

which earlier this month reported a net loss of FFr5.3hn

(\$900m) for the year ended Sep-tember. The US group must

somehow coax, or bully, the 60 international banks that own

Euro Disney's FFr20.3bm debt to

Disney last week kicked off

negotiations by convening a spe-cial meeting in Paris with the banks, which are believed to

include Banque Nationale de

Paris, Caisse des Depôts and

Indosuez of France, and Merrill

Lynch of the US. The banks are

hurriedly assembling a steering committee (expected to be led by

Indosuez or BNP) to spearhead

The banks are bracing them

selves for a tense game of finan-

cial poker against Disney which, under Mr Eisner (or "Ice Man

Mike" as he is known in the Hol-

lywood film industry) has

become renowned as one of the

The crux of Euro Disney's

problems is that it is crushed by its own financial structure. It

cannot afford to service the

toughest companies in the US.

their discussions with Disney.

agree to a radical refinancing.

apple to Snow White.

magic kingdom

r Michael Eisner, chair- is burdened after exceeding the

Banca d'America e d'Italia to pay L470bn for Banca d'America e d'Italia (BAI), controlling stake in Banca Popolare di Lecco Deutsche Bank's big Italian subsidiary, is paying L470bn (\$277m) to huy a controlling 58.07 per cent stake in Banca Popolare di Lecco (BPL), a profitable northern regional bank.

add an estimated L340bn to the

Final pricing, and terms of the public offer, will only be estab-lished in early April 1994, after a BAI will also have to mount a compnisory offer to minority shareholders in BPL, which is quoted on Milan's unlisted secudne diligence examination of BPL's accounts.

The deal is the biggest single investment by Deutsche Bank in Italy aince its December 1986 takeover of BAI for \$603m. Since then, the Italian subsidiary has

construction hudget for EuroDis-

neyland and the drain on cash-

flow resulting from its trading difficulties,

financing, but admits that it is

likely to run out of money early

next year. Disney has agreed to bail it out, but has stressed it will

only do so for "a limited period"

to enable Euro Disney to restruc-

ture its finances "by spring 1994".

Euro Disney, advised respectively

by Lazard in New York and S.G.

Warburg in London, is to reduce

Euro Disney's deht to a manage-

able level. Analysts suspect that

they hope to halve the deht to around FFr10bn. This could be achieved by a combination of a

deht-for-equity swap hy the

banks; by bringing in new equity

partners on a deeply discounted

The main aim of Disney and

Euro Disney says It is still self-

expanded its branches. Last year it made an unsuccessful bid for Citibank's southern Italian retail banking operation.

The purchase comes at a time of ferment among Italy's medi-um-sized regional banks, which have tended to steer clear of the big loan loss provisions now being made by the country's larger financial institutions. Banca Popolare di Vercoa, a

leading north Italian regional dented hostile bid for Banco San Geminiano e San Prospero, a medium sized bank hased in Modena. Separately, the Parma savings bank last week coofirmed it was in talks to buy Credito Commerciale, a slightly bigger Milan-based counterpart. In some cases, as in the BPL and Credito Commerciale deals,

the once-inconceivable sales of prized subsidiaries has become oecessary to staunch financial difficulties at their parent compa nies. In the case of Banco San Geminiano, high profits and good geographic coverage have drawn the unwanted attention of an

ambitious neighbour. BPL has about 1,200 staff and 100 branches in Lombardy, Italy's ricbest regioo. The bank, which has total assets of about L6,000bn, will continue to operate independently of BAL BAI now has around 150 branches nation

of growth in the second half. Euro Disney's refinancing will be a game of financial poker, writes Alice Rawsthorn tors were "satisfied" with progress this year in the face of sagging sales in Eorope, the

> sales growth trend for the full year was established, and that oet income would also rise to a similar extent. The net margin would remain at last year's level of 5 per cent of sales, be said. He expected further sales and profit growth in 1994.

> He dismissed suggestions that coosumers were turning away from branded products. "To the extent that these products offer the consumer innovation and coovenience, and provided that their prices are competitive, they will continue to hanefit from consumers' loyalty," be

Mr Reto Domenicool, finance director, pointed out that Nestlé had been able to raise its prices an average 2.4 per cent in the first 10 months (excluding countries with hyperinflation), which proved the strength of its

The real internal growth of Nestlé's sales remained a weak 1.2 per ceot in the first 10 months, well below the 3.3 per cent for 1992. Most of the rest of the 5.2 per cent growth came

Sales in Europe, which tradi-tionally accounts for half of the group's sales, fell 1 per cent to SFr21.8bn, while sales in North and South America rose 10 per cent to SFr16.9bn and those in the rest of the world jumped 14 per cent to SFr7.9hn.

other than the US and Europe." Nestle's net horrowings had eased from a peak of SFr10.4bn in June following last year's Perrier mineral water acquisition to SFr9.4bn at the end of October. Mr Domeniconi said they would fall to about SFr9hn by the yearend. Mr Domeniconi said Nestle would probably raise new deht capital within the next few

Roller-coaster ride for Euro Disney investors



Disney's main negotiating weapon against the banks is to threaten to close EuroDisneyland

unless they agree to rescue it, in theory Disney could afford to do so. Indeed it could argue that it cannot afford not to, given that Banks are bracing themselves for

a tense game of financial poker against Disney, which has become renowned as one of the toughest companies in the US

ing shareholders. Such a package would involve heavy dilution for existing investors but should be enough to save Euro Dishey. Ms Rebecca Winnington-Ingram, analyst at Morgan Stanley in London, calculates that Euro Disney could trim its net loss to FFr1bn in 1993-94

basis; and a rights issue for exist- Disney's share of Euro Disney's losses dragged it into the red with a net loss of \$77.8m in the fourth quarter of its last financial year. Ms Margo Vignola, analyst at Salomon Brothers in New York, described Euro Disney as an "albatross" for its US parent. If Disney did withdraw, the banks would have to write off

FFr20.8hn to Euro Disney. The banks are gambling that Disney. which until the present debacle was seen as one of the US's most successful companies, would be loathe to tarnish its gilded repu-tation by admitting defeat in Europe. Once the steering committee is in place they are expected to press Disney to play its part in alleviating Euro Disney's financial plight.

sney would, of course, he expected to participate fully in a rights issue hut it is highly unlikely that it would agree to provide further capital, if it raised its stake above the present level of 49 per cent it would, under US accounting regulations, have to consolidate Euro Disney's deht on to its own balance sheet.

However the banks could try to force Disney to reduce its own income from Euro Disney. The US parent has already agreed to waive its "management fee" of 3 per cent of Euro Disney's reve-

nue until the company is profit-able. The banks might ask Disney to cut the "royalty fee" of 10 per cent on admissions and 5 per cent of food and merchandise sales. This fee totalled FFr262m last year.

1993

Meanwhile Disney hopes that the French government, anxious to protect the more than 10,000 jobs created at EuroDisneyland, will "encourage" the banks to bail it out. One option would be for the Caisse des Depots, the state-controlled financial institution, to reduce the 7.8 per cent interest rate levied on its FFr4.8hn of Euro Disney's deht. These are the main issues

which will dominate the negotiations over the next few mooths. In the meantime Euro Disney's finances are deteriorating, as illustrated by yesterday's 18.6 per cent fall in the share price to a new low of FFr27.20, which could depress the potential proceeds from a rights issue. As the two camps prepare for battle, the "poisoned apple" is rotting away. Observer, Pege 15

Nestlé points to rising sales

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By Ian Rodger in Vavey, Switzerland

Nestlé, the world's largest foods groop, said its sales in the first 10 months of 1993 were op 5.2 per cent at SFr46.6bo (\$31.6bo), because of a slight acceleration Mr Helmnt Mancher, chairman, speaking at Nestle bead-quarters in Vevey, said the direc-

group's main market area. Mr Maucher indicated that the

from acquisitions,

Mr Mancher said: "We are the

only large food group to have a quarter of our sales in countries

months to take advantage of low interest rates.

Metallgesellschaft may pass dividend after fall into loss

By David Waller in Frankfurt

Metallgesellschaft, the German metals, mining and industrial conglomerate, yesterday blamed a combination of falling metals prices, difficulties in the motor industry and restructuring costs for a swing from profits of DM245m last year to a pre-tax loss of DM347m (\$205m) in the year ended September.

Mr Heinz Schimmelhusch, group chief executive, said that Metallgesellschaft would prohahly not pay a dividend for 1992-93, making the group one of the handful of leading German compames to pass their dividend this

However, he predicted that the group would return to profit this year, after extensive cost-cutting and further disposals.

tious acquisition strategy which culminated in 1992 with the DM1.45bn acquisition of the non-paper activities of Feldmühle Nohel - saying that without large purchases the impact of the downturn would have been far

He said that the disposals programme, which has been under way for at least a year, was not a corrective to the earlier diversification but was to focus on five clearly defined husiness areas, ranging from metals trading to plant construction and environ-Mr Schimmelbusch said that

sales of non-core husinesses led 1992-93 and are set to bring in another DM600m this year. The chief executive said he was

He defended his previous ambl- confident of cutting costs hy DM1.Ibn in the three years to achieved hy losing more than 10.000 jobs. In the last two years the group has cut 7,400 jobs, 12 per cent of the workforce. Restructuring will concentrate on the Kolbenschmidt car components company and metals

> The reported loss for the year achieved oo group turnover unchanged at DM25.5ho included losses of DM290m on the Schiess machine-tools company which has subsequently heen It was also hit by DM155m one-

off restructuring costs. The contribution from asset sell-offs fell from DM711m in 1991-92, with the result that underlying losses

Tate & Lyle beats forecasts

By Meggle Urry in London

Record UK profit and currency gains helped Tate & Lyle to increase annual pre-tax profits by 17,4 per cent to £222.5m (\$330m). That was above market expectations, which had been revised downwards in September when the sweeteners company warned of difficult trading conditions in the North American sugar

The shares gained 9p to 395p. A final dividend of 8.7p is proposed, which would raise the total from 12p to 13p, in line with Tate's policy of a "progressive" dividend.

Mr Neil Shaw, chairman, said the outlook for the current year was encouraging, with productivity gains and improved trading conditions expected. He emphasised that Tate is pri-

marily a processor of agricultural has yet to earn a cormal return products and is exposed to influon its investment. Tate is now ences such as the weather, crop sizes and government regulation. The group's main problems in the year were a bumper sugar beet crop in the US, leading to lower prices and government imposed limits on sales, and a glut of potato starch in Europe, hitting prices there. In each case, conditions were expected to

improve in 1994. Mr Shaw said he was "very pleased" by the approval given to the Nafta trade agreement in the US. Tate plans to expand its interests in Mexico, where it has a starch plant.

Tate is expanding in many developing countries, where the growth in consumption of its products is concentrated. In central Europe, it has set up a number of joint ventures, although it Lex, Page 16

looking to establish joint ventures in China and south-east Asia.

Mr Paul Lewis, finance director, said cash-flow had been strong. Net debt fell by £15m to £627m, although the weak pound meant the translation of the group's debt, which is largely in US dollars, added £94m to Gearing was 78 per cent at the

year end, down from 89 per cent a year earlier, in spite of a £20m write-down of UK property values. Mr Lewis said with interest cover of 5.7 times, up from 5, and given that it had written off £500m of goodwill over the years, the group was comfortable with its balance sheet. Details, Page 21

Sun's SPARCse









wder n on

have alșo dazting:

Renault chief stands firm on terms of Volvo merger

By Kevin Done and John Ridding in Paris

No changes can be expected to the terms of the proposed merger hetween Renault and Volvo, according to Mr Louis Schweitzer, chairman of Ren-

"The terms and conditions are final from the French side," Mr Schweitzer told the Financial Times late on Tuesday. "The deal is fair and we have fully answered the concerns of Volvo shareholders. This is it, there is a time for decisions," he said.

Mr Schweitzer yesterday met with a group of leading Volvo shareholders in Paris in an attempt to counter Swedish resistance to the proposed

merger. Opposition from Volvo shareholders has already forced the postponement of a vote on the deal - originally due earlier this month. A new vote has been set for December 7 A group of 12 Swedish institucontrolling 44 per cent of the votes in the Swedish company hold the key to approval of the deal.

The French government has sought to win backing for the merger by giving written commitments to Volvo shareholders concerning the two most controversial aspects of the



Louis Schweitzer: 'shareholder concerns fully answered

deal: the timetable for privatition, and the use of a golden share to be held by the etate. Last week, Mr Edouard Balladur, the French prime minister, wrote to Mr Carl Bildt, his Swedish counterpart, stating the French government's intent to privatise the merged company next year, and pledging that the golden share would not he used against

Mr Schweitzer warned that a rejection of the planned merger between Renault and Volvo would damage existing co-operation between the two automotive groups, which are

already engaged in a far-reach-ing alliance based on minority cross shareholdings.

"The momentum would disppear," said Mr Schweitzer. You cannot work together without e strong sense of direction. And there would he none." He said recent disruption to the merger process had already slowed and destabilised efforts to huild e joint management organisation.
The Renault chairman said

he had been surprised by the scale of opposition from Swedish investors. "Emotions built up in a rather violent way and have overshadowed the issues and the progress we have made. It has become a political issue in Sweden," he said.

Mr Schweltzer stressed the industrial logic of the proposed merger, due to take effect from the beginning of next year. The cost-savings from joint purchasing research and development and economies of scale would strengthen the two companies' car and truck

Mr Schweitzer said the European automotive markets lowed signs of bottoming out. He forecast a modest recovery in demand from mid-1994. He said he was confident that Renault would remain profitable despite the protracted downturn.

PowerGen move to cut prices

By Michael Smith in London

PowerGen, the UK power company, yesterday floated the idea of a significant change to price determination in England and Wales's electricity trading pool as it revealed a 10 per cent rise in pre-tax profits to £108m. The suggestion comes ahead

of a decision later this year by Professor Stephen Littlechild the industry regulator, on whether to refer PowerGen and National Power, the other large UK generator, to the UK Mooopolies and Merger Commission. His inquiry has been prompted by sharp pool price

Mr Ed Wellis, PowerGen chief executive, said there was a strong argument in favour of the main determinant of the pool price being the average price of all generating plant needed to run the system. The main determinant of the

existing system is the "mar-ginal" price, that is the cost of the most expensive plant. Invariably the marginal plant is owned by either National Power or PowerGen, who critics say have too much influence, Mr Wallis said moving to an average price system would overcome the perception that two hig players dominated.

PowerGen's interim figures for the six months to October 3 showed the company's turn-over fell 3 per cent from £1.3bn to £1.27bn. Earnings per share were up 13 per cent to 9.71p (from 8.58p) and the dividend, already announced, rises 18 per cent from 3.35p to 3.95p.

Mr Wallis said market share fell marginally from 26.3 to 26.1 per cent and predicted it would fall to 22 per cent by 1998. This compares with 30 per cent at privatisation three years

The half year's performance was helped by a reduction of 200 in job numbers to 5,770 and a fall in coal stocks from 15.5m tonnes to 14.25m.

The company expects to cut stocks to 5m tonnes hy 1997-98, with the hulk of the reductions achieved in the next two years. An adjustment of about £16m is likely for pensions at the year-end results. Of the halfyear charge of £12m, some £9m related to liability and damage

Scottish Power, Page 22 Lex. Page 16

Dutch paper group falls to Fl 9m loss in third term

By Ronald van de Krol in Amsterdam and Robert Gibbers in Montreal

The continued weakness of European economies pushed KNP BT, the Dutch paper and packaging group, into a net loss of Fi 9m (\$4.7m) before extraordinary items in the third quarter of 1993, compared with a net profit of

Fi 7m the previous year. The figures took results for the first nine months to a net loss before extraordinaries of Fi 25m, compared with a net profit of Fi 168m the year

KNP BT, which was formed from a three-way domestic merger in the Netherlands ear lier this year, has already said that it plans to take a Fi 300m charge in 1993 to cover a

restructuring.
The company said that market conditions were similar to those of the first two quarters. The paper sector continued to suffer from overcapacity and price pressure, while the graphic systems sector was still feeling the effects of reduced demand in southern

However, the company said that there were some signs of a hesitant improvement in

The figures, which were slightly better than analysts had forecast, were released after the close of trading in

Amsterdam.

Last week, the company's shares fell after a Belgian newspaper said that KNP BT's single higgest shareholder, Macmillan Bloedel, the Vanconver-based forest prodacts group, wanted to sell its 16 per cent stake. Macmillan Bloedel said yes-

terday that it would sell its "when the price is right". Mr Glen Ferguson, Macmillan Bloedel's vice-president and treasurer, said the sale of the KNP stake would depend mainly on market value and "it may be quite a way down the road".

In September, the Canadian company took up its share of a KNP BT rights offer, for C\$55m (US\$41.5m) to maintain its 16 per cent stake.

Stora swings back to the black

Stora, Europe's leading pulp and paper group, swung strongly hack to profits in the third quarter of 1993, with a sharp reduction in financial costs offsetting persistent price weakness in its main markets. .

Profits after financial items for the three months were SKr264m (\$31.5m), compared with a SKr333m loss in the same 1992 quarter. The turnround took profits for the first nine months to SKr294m from a SKr496m deficit a year ago. Mr Lars-Ake Helgesson,

Stora president, said the mar-ket cituation was "largely unchanged", with prices stebilising at low levels during the third quarter. - - -

"The general economic picture in western Europe is weak, particularly in Germany," he said. The benefit of the weaker krona lifted sales for the first nine months to SKr37.7bn from SK135.4bn. However, operating

income only increased by

SK18m to SK1950m The real impact on the result came from the drop in financial costs, to SKr556m from SKr1.39bn. The group has benefited from lower interest rates

financial services arm. Cost savings and new efficiency measures have helped the group compensate for lower prices. The company said it had already cut costs this year hy SKrl.7bn. It expects savings for the full year to amount to SKr2hn, the

same as in 1992. The group did not give a full-year forecast, although it will show a clear improvement on iast year's SKr1.42bn loss. Deliveries of the group's main products in 1993 are expected to be largely unchanged on last

● MoDo, another Swedish for-

months of 1993, to SKr476m

from SKr925m a year earlier. It said price pressures, losses from French operations, and heavy interest costs were keep-ing it in the red, even though the weaker krona and rational isation had enhanced its com-

netitivenese The group effectively pre-dicted a full-year loss of around SK1600m by saying its final-quarter deficit would equal the SKr123m level struck in the third quarter.

The 25 per cent fall in the value of the krona helped ninemonth sales rise to SKr12.55bn.

Kwik Save warns of tougher supermarket competition

By Nell Buckley in London

Kwik Save, the UK's leading day unveiled a 14 per cent rise in pre-tax profits to £126.1m (\$188m), hnt admitted the supermarket price war would make it hard to maintain its sales and profits growth of

recent years. Mr Graeme Bowler, Kwik Save's chief executive since lune, said there had been an "unprecedented surge" in price competition as superstore chains had woken up to the changing nature of the UK

food market.
"It will be harder to maintain the rate of growth in sales and profits we have experienced over the last five years,"

Nobel Industries, the Swedish

chemicals group to be taken over by Akzo of the Nether-

lands, yesterday announced

profits little changed at

SKr298m (\$35,6m) for the first

nine months of 1993, from

However, the company said

it was henefiting from low interest rates and the sharp

fall this year in the value of

the Swedish krona. It predicted

that full-year profits would

SKr304m last time.

fears that Kwik Save had lost its edge on price by extending its range. He said its wider range set it apart from the "limited offer of mainly unknown brands" provided by newcomers to the UK discountmarket such as Garmany's market such as Germany's Aldi, Denmark's Netto, and

Kwik Save's sales for the year to August 28 increased 14.4 per cent to £2.86bn. Some 8.4 percentage points of the increase came from existing stores, with "no discernible inflation" in selling prices.

New stores added 6.1 points,
with a handful of store clo-

sures removing 0.1 points. Mr Derek Pretty, finance director, said gross margins were down slightly. The oper-

Nobel little changed at SKr298m

"improve somewhat" over the

Nobel and Akzo announced

earlier this month an agreed

deal under which Alexo would

pay SKr16.6bn to take control of the Swedish company, Nobel

is 73 per cent-owned by the

state through Securum, a "bad"

bank" set up to group the bad

debts of the state-owned Nord-

will he the world's biggest

paints group and the second

largest pulp and

chemicals producer.

When combined, Akzo-Nobel

1992 result of SKr237m. : ::

Mr Bowler countered City ating margin fell from 4.2 per

cent to 4 per cent. Mr Pretty also emphasised the group's strong cashflow, which enabled it to spend £103.2m on 69 new stores, store refits and new systems, with-out borrowing. Capital spending is expected to increase to £120m next year, with up to 80 new stores to be added to the

existing 814. Income from concessions within Kwik Save stores selling fresh foods - an important part of the Kwik Save formula increased 23 per cent.

Nobel said currency hedging

had blumted the effect of the falling Swedish krona, knock-

ing SKr247m off operating prof-

its in the nine months. The

operating profit was down at SKr819m from SKr836m last

time, in spite of e rise in sales, to SKr17bn from SKr15.8bn,

However the group, which

has most of its production in

Sweden: said the currency fall

had strengthened its competi-

tiveness. It said the unwinding

of its hedged position would

lead to stronger results in the first half of 1994.

NOTICE OF EARLY REDEMPTION To the Holders of all outstanding

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Barnings increased 15.1 per cent to 55.49p. The final dividend was 12.9p, bringing the total for the year to 18.3p, up 14.4 per cent. The shares closed down 9p at 573p.

Mr Edmond Alphandery, the 🕳 French economy minister, yes-terday confirmed that Elf-Aqui-

confirms oil

sale agenda

By John Ridding in Paris

France

taine, the oil group, would be the first company to be priva-tised next year. He said the government's stake may be sold in tranches.

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e stope i

"It is a large amount, and it is not impossible that it could be sold in bits," Mr Alphandéry said, adding that no decision had yet been taken on the process of the sale.

The government's 50.8 per cent stake in Elf Aquitaine has an estimated value of FFr50bn (\$8.5bn), much larger than the FFr28bn raised through the privatisation of Banque Nationale de Paris; and the FFr13bn from the sale of the state'a holding in Rhône-Poul

enc, the chemicals group. Industry observers say they expect the sale to be done in one block, although payment for shares could be done in

Mr Alphandery was speaking after the government launch of a tender offer hy which companies can hld for stakes in Banque Hervet, the small pri-vate bank to be sold as part of

the privatisation programme. The sale of 89 per cent of the shares in Banque Hervet which is due to be completed by the beginning of 1994, will not be open to a public offer. It is expected to raise about



Repola Corporation, comprising of three industrial groups



UNITED PAPER MILLS (F) RAUMA



American Express provides Repola Corporation with a worldwide service agreement





MORIO OKG AKTIEBOLAG

In Stockholm

- a Sydkraft Company rly Oskarshamasverkets Kraftgrupp Aktiebolag) ncornorated in Sweden with limited liability)

Notice to the holders of the U.S. \$50,000,000 Retractable Bonds 1997

NEW RATE OF INTEREST nce with Condition 3(B) of the Terms and Conditions of the above mentioned Bonds (the "Bonds") and further to the obtice which appeared in the Financial Times on 30th September, 1993, the rate of Interest in respect of the Bonds has been determined as of 23rd November, 1993.

From 1st December, 1993 the Bonds will bear interest at the rate of 5.80 per cent, per annum, payable annually in arrests on 1st December in each year, the first such payment of U.S.\$58 being made on 1st December, 1994 against presentation of coupon number 13.

Hambros Bank Limited 25th November, 1993

COMMERZBANK OVERSEAS FINANCE N.V. U.S.\$ 200,000,000 Floating Rate Notes

of 1993/2005 In accordance with the provisions of the Notes the following notice

Interest Period: November 23, 1993 to May 23, 1984 (181 days) Interest Rate: 5 % p.a. Coupan Amount: U.S.\$ 125.69 per U.S.\$ 5,000 Note U.S.\$ 2,513.89 per U.S.\$ 100,000 Note

Frankfurt/Main, November 1993 COMMERZBANK

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Floating Rate Subordinated Capital Notes Due 1997 ISIN US 949740 BG 87 NOTICE IS HEREBY CIVEN that all of the outstanding US\$100,000,000 Floating Rate Subordinated Capital Notes Due 1997 (the "Notes") issued by Wells Fargo & Company (the "Company") will be redeemed by the Company on December 31, 1993 (the "Redemption Date"). The Company will redeem the Notes at 100% of their principal amount together with secrued and unpaid interest to the Redemption.

the Notes at 100% of their principal amount together with accrued and unpaid interest to the Redemption Date (the "Redemption Price"). In the case of a Bearer Note payment will be made by a US dollar check drawn oo a bank in New York City, or by transfer to a US dollar account maintained by the payee with a bank in Europe, upon presentation and surrender of the Note together with all Conpons appertaining thereto maturing on or after the Redemption Date at the offices of the Paying Agents listed below. Payments of principal on a Registered Note will be made by US dollar check drawn on a bank in New York City against surrender of the Registered Note at the New York City Office of Morgan Guaranty Trust Company of New York (the "Registere"). Upon application by the holder to the specified office of the Registers not later than December 15, 1993 (the "Record Date") payment may be made by transfer to a US dollar account maintained by the payee with a bank in New York City Payments of interest on a Registered Note will be made in the usual manner. Interest on the Notes shall cease to accrue thereafter and the Coupons for any such interest maintains after the Redemption Once cease to accrue thereafter and the Coupons for any such interest maturing after the Redemption Oate shall be void, irrespective of whether or not such Note and Coupons have been surrendered for payment of the Redemption Price. The Notes are being redeemed pursuant to the provisions of the Indenture dated as of Soptember 27, 1985, as amended and copplemented, between the Company and Morgan Guaranty Trust Company of New York, as Trustee.

PAYING AGENTS

1040 Brussels

Swiss Bank Corporation Aeschenvorstadt l CB 4002 Basel Switzerland .

Morgan Guaranty Trust

Company of New York 60 Victoria Embankment

London EC4 0JP

Morgan Guaranty Trust Company of New York Avenue des Aris 35

J.P. Morgan CmbB Mainzer Landstrause 46 D-6000 Frankfurt am Main 1 L-2955 Luxembourg

REGISTRAR Morgan Guaranty Trust Company of New York Basement A 55 Exchange Place New York, NY 10260-0023.

Under the Internal Revenue Codo of 1986, as amended, we may be required to withhold 31% of any gross payment made to holders who fail to provide us with, and certify under penalty of perjury, a correct taxpayer identification number (employer identification number or social security number, as appropriate) on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer indentification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty under the Internal Revenue Code of \$50. Certain holders who are not US persons may be required to submit a completed Internal Revenue Service Form W-9 to avoid such withholding.

Dated: November 25, 1993

Service Form W-8 to avoid such withholding. By: Morgan Guaranty Trust Company of New York

Morgan Guaranty Trust Company of New York 14 Place Vendome

43 Boulevard Royal

75001 Paris







LEGAL NOTICES

otice of Appoi Joint Administrative Receivers
SHERWOOD WALL & FLOOR TILLING Registered number: 1641928. Nature of Registered number: 1641028. Notices of bestness: Tiling and Plantering Contraction Trade classification:25, Date of appairment of Justs Administrators Receivers: 12 November 1993. Name of person appointing the Join Aufministrative Receivers. Lloyds Bank pic. Lynn Robert Balley and Stephen Jonathan Taylor, Joint Administratory Receivers, Loffen bulder and Administratory Receivers. office holder not 64% and 7821) Coopers & Lybund, Abscus House, 32 Friar Lane, Lelcenser LEI 5RA.

PERŞQNAL

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U.S. \$100,000,000 Floating Rate Notes due 2003

In accordance with the provisions of the Nores, notice is hereby given that the Rate of Interest for the six month period ending 24th May, 1994 has been fixed at 5.125% per summ. The interest socraing for such six month period will be U.S. \$25.77 per U.S. \$1,000 Bearer Note and U.S. \$2,576.73 per U.S. \$100,000 Bearer Note and U.S. \$2,576.73 per U.S. \$100,000 Bearer Note on 24th May, 1994 against presentation of Coupon No. 2. In accordance with the provisions o

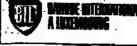
Union Benk of Switzerland
London Branch Agent Bank 22nd November, 1993

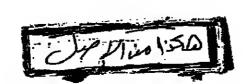
ISSUE OF UP TO US \$600,000,000 BANQUE FRANÇAISE DU COMMERCE EXTERIEUR **FLOATING RATE NOTES DUE 1996** OF WHICH US \$350,000,000 IS BEING ISSUED AS THE INITIAL TRANCHE

in accordance with the provisions of the above mentioned Floating Rate Notaa, tha rate of interest for the period November 24, 1993 to May 24, 1994 has been fixed at

-

The interest payable will be US\$ 859.12 per note of 50,000 and US\$ 4,295.61 per note of US\$ 250,000. Fiscal Agent





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er

Paul Abrahams on the US group's efforts to counter the effects of healthcare reform

arner-Lambert, the US drugs and congroup which this week announced a \$468m restructuring plan, is going through the pharmaceuticals wringer. Like other companies, Parke

Davis, its drugs eubeidiary which is the 14th largest pharmaceuticals group in the US, has been hit by healthcare reforms in Europe and Amer-The speed of changes in the US, in particular, has taken the company by surprise, admits Mr Lodewijk de Vink, president and chief operating

But the subsidiary's performance has also been affected mance has also been affected by problems specific to it. Its growth has been severely lim-ited since January, when the US patents of its best-selling drug, Lopid, a cholesterol-lowering treatment with sales last year of \$556m, expired. Revenues have also been

undermined by running foul of the US Food and Drug Administration, which stopped production at six of its US and Puerto Rican plants.

The company believes this will cost it \$150m in lost turnover this year. In addition, the group's tax rate is set to rise next year because of the US government's decision to limit tax credits for manufacturing

Warner-Lambert's efforts to counter the expected decline in Lopid sales by launching new drugs have been dogged by

Argentine

sale set to

By John Barham

in Buenos Aires

raise \$130m

Argentina is poised to raise more than US\$130m with the

sale of the government'e

remaining minority stake in

the semi-privatised electricity

Strong demand allowed the

government on Monday to

raise its maximum price for

the shares by 8 per cent, to

ister Mr Domingo Cavallo

announced on Tuesday that the government would offer its

30 per cent stake at \$5,30 a

Mr Cavallo fixad the price

slightly below the celling in

order to attract longer-term

buyers and to deter specula-tion. However, analysts expect

trading in the Buenos Aires

given that the issue was

The government sold 60 per

cent of Central Puerto for

\$92.2m in April 1992 to a con-

sortium led by Chilgener of

Chile. The company'e employ-

ees hold the remaining 10 per

The next semi-privatised

company in line for stock mar-

ket flotation is expected to be

Central Costanera, a larger

generator, which could be

ready for an international

The government is expected next year to offer its minority

stakes in 10 gas transport and

• Argentina plans to raise

\$750m next month from the

sale of global bonds, the pro-

ceeds of which will be used to

refinance maturing debt. Offi-cials had earlier indicated that

the offering would be around

\$500m. Pricing of the bonds should be detailed next month.

Royal Bank of

Canada cuts jobs

Royal Bank of Canada plans to cut almost 3,000 jobs from its worldwide workforce of 47,600

in 1994 as part of its integra-

tion with Royal Trust, Reuter

reports from Toronto. The

Bank said 1,100 jobs will be cut

from Royal Trust from its 5,000

workforce, and the 142 Royal

Trust branches reduced by 43.

it planned restructuring

charges of C\$300m (US\$226m)

and C\$110m on streamlining.

The charges, with increased

provisions for losses on real

estate loans, will result in a fourth-quarter loss of C\$1.50

Royal Bank said this month

offering in December.

distribution companies.

heavily oversubscribed.

market to be fierce,

generator, Central Puerto.

Cognex, a treatment for Alzheimer's Disease, had a rough ride through the FDA, being rejected twice before finally being licensed in the US this

September.
New-York analysts HKS & Co believe the medicine could be held back by its limited efficacy and side-affect concerns, and annual sales could strug-gle to only \$100m or reach

Warner Lambert's lateat response is to amountee a firether round of restructuring and rationalisation. About 2,800 of the group's 34,000 employees will leave the company. That follows job losses of 2,700 amounced earlier in 1991. Research and development

spending - running at 18 per cent of drugs sales - is not sacrosanct, says Mr de Vink. "Research used to be a cost centre that was never ques-tioned. Wa need to make some hard choices. We can't fish in every therapeutic pond, but I want more lines in each pond," he explains.

"The days of macho R&D epending - when more was necessarily better - are over. The industry's current level of spending on R&D is clearly unsustainable," he insists. Although the pharmaceuti-cals division is clearly in trou-

ble, the group is being sup-ported from unexpected quarters.

Its confectionery operations and over-the-counter (OTC) non-prescription medicines business, with products rang-

Finmeccanica, the Italian state-controlled engineering

group, yesterday completed the second of two cash-raising

exercises by placing 40 per cent of its Union Switch & Signal

subsidiary in the US. US&S was bought by Fin-

meccanica'e quoted Ansaldo

Trasporti unit in 1988 to

broaden its coverage of the

railway equipment and signal-

The flotation, raising almost

\$49m through the sale of 3,25m

shares at \$15 each, will give

Fujitsu of Japan is to acquire

HaL Computer Systems, a Cal-

ifornia company that is devel-

oping high performance open

systems computers: Previously, Fujistu held a 44 per cent stake

Hal will become a wholly

owned subsidiary of Fujitsu

and will serve as the principal

development centre for advanced 64-bit open systems hardware and for operating

eystems products for the

This agreement is good for

Fujitsu and Hal'e employees

BF Goodrich, the speciality chemicals and aeroepace group, launched a public offer-

ing to sell its remaining 49.5

per cent interest in the Geon subsidiary which it floated ear-

The proceeds from the sale, put at \$248m before tax, will be

used to fund part of the \$300m

acquisition of Emerson Elec-

tric's Rosemount aerospace

The Hongkong and Shanghai

Banking Corporation, the principal subsidiary of HSBC Holdings, is raising HK\$3bn

(US\$388m) through a 10-year "collared" floating rate note in its first external fund raising

The bond will pay a rate of interest equal to 25 basis

points above the three-month Hong Kong interbank offered

rate (Hibor), and is subject to a

Fujitsu group of companies.

in the US company.

in New York

lier this year.

ling business.

Warner-Lambert sales

ing from Trident chewing gum to Clorets breath-fresheners, bave traditionally been regarded as a burden because of their low margins compared with prescription pharmaceuti-

which only a third is pharma-ceuticals. The other two-thirds are not affected by healthcare reforms or patent expiries. Our diversity used to be a weakness. Now it's a strength," says

arner-Lambert has successfully created strong international brands capable of generating a steady, though unspectacular, stream of earnings growth. Some of its products, like Listerine mouth-wash, are more than 50 years old, but are still growing. The company actually created the mouth-wash market in Japan when it

US placing by Finmeccanica

special one-off dividend. The

remaining proceeds will be

uead to reduca US&S's

Yesterday's transaction ech-

oes last week's US initial pub-

lic offering of Finmeccanica'a Elsag Bailey Process Automa-

tion subsidiary.
The transaction involved the

flotation of 8.12m shares at \$19

each, raising more than \$150m.

share capital was placed, with an option to sell a further 5 per

cent. The proceeds will be used

to cut debt at both Elsag Bai-

tance to Fulitsu's open systems

strategy," said Mr Scott Met-calf, president of HaL.

Fujitsu also announced lt

had signed a contract with Dell

Computer to market Dell's per-

sonal computers to corporate

Dell said the move was

intended to broaden the com-

pany's reach in Japan, where it has a sales force of only 30

people. Under the agreement, PFU, a unit of Fujitsu, will also

provide service and support for

Goodrich to sell rest of offshoot

division, announced two weeks

ago.
The two transactions mark

the culmination of Goodrich's

plan to narrow the scope of its

operations to speciality busi-

nesses which it believes have

good profit growth potential.

and move away from cyclical

expected earnings next year to

be significantly ahead of the 60

HSBC to make HK\$3bn FRN issue

minimum rate of 7 per cent and a maximum of 9 per cent.

Analysts said the terms of

the financing appeared expen-sive for a bank of Hongkong

Bank's quality in the market.

However, it is understood that Wardley, which is arranging the issue, has developed a mechanism for hedging the 7 per cent to 9 per cent collar which will provide the bank

with attractive Hibor-related

funding over its life.

The bank said yesterday that

-70 cents a share projected for

The company has said it

clients in Japan.

because HaL now assumes an founder, added to his high-

expanded development respon-sibility with greater impor-part of a company that makes

Dell computers in Japan. screen colour video image set eral feet in front of the user.

April.

Fujitsu takes control of HaL

About 35 per cent of the total

short-term debt.

The group is still expanding acquisition. In May It bought the Wilkinson Sword wet shave operations, building a \$500m razor and blade busi-

launched the product there.

Meanwhile, Warner-Lambert has continued to build its OTC medicines business, the largest in the US. In July, the company secured access to Glaxo's Zantac and Wellcome's Zovirax, the two most important drugs capable of switching status from prescription only to Mr de Vink's strategy to deal

with expiry patents is to drive Warner-Lambert's generics business harder. bad. And we don't have to do the R&D," he explains. The

ley and the Finmeccanica par-

Both deals are part of a rapid

income raising drive by Fin-meccanica, which is facing e

depressing year because of the

recession and heavy losses at

lts Alenia aerospace subsid-

Finmeccanica announced a

first half pre-tax loss of

L159.9bn (\$94.5m), egainst net

profits of L180.5bn in 1992.

Analysts say the group should reach break-even in the full

year, boosted by the extraordi-

what it calls "personal viewing

systems", Reuter reports from

investment group has become

the second-largest investor in

Virtual Vision. Privately beld

Virtual Vision is funded by "a

group of silent investors who

represent a wide range of

industries in the Pacific North-

Its chief product is a device

that looks like a pair of eye-

glasses but projects a full-

screen colour video image sev-

maker of polyvinyl chloride,

have been offered at \$20 each.
This is below the current

market price, which edged

down to \$20% on the news, but

still ahead of the \$18 at which

Goodrich floated its first 13.1m

shares in the company in

The company reported a one

off pre-tax gain of \$91.9m after

the flotation, suggesting that

the fourth-quarter gain from the latest sale will top \$100m.

the proceeds of the bond issue

will be used to develop and

expand its business, pointing to planned infrastructure pro-

jects, in Hong Kong, such as the building of an airport and

the expansion of the colony's

The bond is redeemable in

six years. Its worth, to tha

bank as capital, however, will

diminish when the bond is five

years old, when the bank will

have to begin to amortise 20

container port.

west," the company said.

Allen'a Vulcan Ventures

"Some of the returns are not operations will be more aggressive in future in an effort to keep plant operating at capacity. He does not exclude manufacturing drugs developed by other companies whose patents have expired.

The group's pharmaceuticals portfolio is, however, looking tbin, apart from Cognex and heart drug, which is doing well thanks to aggressive pricing. It should become a \$250m prod-

uct. Meanwbile, Neurontin, an epilepsy treatment, has been filed with the FDA but is not yet approved. Mr de Vink says lt should generate at least \$100m a year.

r de Vink says he wants more products in the pipeline. "The typical life-cycle of a drug could be falling to only four or five years and if that is the case you have to have a lot more new products,"

The company is planning research alliances with other groups. In February it acquired 34 per cent of Jouveinal, a French drugs maker with an innovative pipeline. It already has an alliance with Rhone-Poulenc Rorer in antibiotics.

The efforts of Mr de Vink and bis chairman and chief executive Mr Melvin Goodes. mean that in spite of Warner-Lambert's difficulties in phar maceuticals, analysts expect the group to outperform most of the drugs sector in the medium-term. A not unimpressive achievement for a mouth-wash and chewing gum company.

Bell, Stet in tender for Matav

By Nicholas Denton In Budapest

Stet, the Italian state-owned telecom utility, and its consor-tium partner Bell Atlantic, the US regional operator, have entered the leading first-round bld in Hungary's telecom privatisation tender.

Stet International and Bell Atlantic are believed to have offered between \$800m and \$850m for the 30 per cent share-holding in Metav, the Hungarian national operator, in eastern Europe's largest single privatisation so far.

The figure comfortably betters submissions made by two groups which had been regarded as the strongest contenders in the Matay sale. Deutsche Telekom of Gar-

many, in alliance with the UK's Cable & Wireless and regional Bell company Ameritech, is understood to have bid \$420m-\$500m. France Telecom, linked with US West, another Baby Bell, is thought to have

offered over \$450m. The German and French-led proposals also lag behind that of Telefonica of Spain, the fourth competitor to be shortlisted, although estimates of Telefonica's bid vary.

None of the groups would officially confirm the figures. Advisers also warned that consortium bids were "apples and pears" and not wholly compa-rable. Stet in particular worked on the assumption that Matav will continue to dominate local telephone services. Stet'a lead in the first round

of preliminary, "indicative" bids is no reliable guide to the outcome of the second and decisive phase. Final bids are due on December 14 and the Budapest authorities hope to complete the transaction by the end of the year.

The European Bank for Reconstruction and Development and the World Bank's International Finance Corporation are to invest a combined \$90m in Matav.
The EBRD is committing \$60m and the IFC \$30m to buy

prefarence shares convertible into ordinary sharas after Matav's privatisation. The price of the transaction will be detarmined by the value of the winning bid for

the 30 per cent sharebolding in Matav. The two institutions intend to sell their shareholdings to Hungarian investors.

Matav needs the infusion of funds to complete its Ft33bn (\$330m) investment plan for 1993 without resorting to

takes its toll on electricity groups

By Emiko Terazono in Tokyo

Utilities

Japan's electric power utilities were hit hy a fall in demand for air conditioning due to _ the cold summer and the economic slump.

Lower fuel costs, due to the stronger yen and a fall in crude oil prices, could not cover the decline in revenue from lower electricity demand, and eight of the nine electric power companies posted lower interim parent pre-tax profits for the half-year to September. In spite of strong opposition from the utilities, the government has ordered electricity and gas rates to be cut in order to pass on the benefits of the higher yen to consumers. As a result, the electric power companies will lower rates for an 11-mooth period starting this month, and face a drop in income for the full year.

Tokyo Electric Power said total power consumption for the April-September period fell 0.7 per cent from a year earlier. depressing revenue from electricity sales. For the full year, the company expects a 14.8 per cent fall in pre-tax profits to Y135bn, on a 0.2 per cent rise in sales to Y4,710bn. The company expects the rate cuts to reduce its income by Y36bn.

Kansai Electric Power said

sharp increases in repair-

related spending and deprecianon costs also squeezed profits. The company expects full year pre-tax profits to fall 19 per cent to Y100bn on a 0.1 per cent rise in sales to Y2,370bn. Chuhu Electric Power said lts decline in pre-tax profit was due to a heavier interest bur den from increased capital to March, the company expects a 26 per cent drop in pre-tax profits to Y75bn on a 0.6 per

cent fall in sales to Y1,950bn. Kyusbn Electric Power saw profits fall for the first time in three years due to typhoons and beavy rains. The company, which spent Y28.4bn on repairs, sees an 8 per cent fall in full year pre-tax profits to Y76bn on a 1.4 per cent rise in

	INTERIM RE	SULTS 19	93-94	
	Sales (Ybn)	Change (%)	Pre-tax profit	Change (%)
akyo	2,347.1	· 0.1	58.5	- 12,0
ansai	1,205.7	+ 0.1	49.1	- 3.7
hubu	985.4	0.0	38.6	- 15.4
(yushu	651.9	+ 1.5	28.1	- 6.7
ohoku	651.2	+ 2.7	29.6	- 0.6
hugoku	487.4	- 0.6	21.3	- 4,1
lokkaido	285.8	+ 5.8	26.7	+ 58.1
hikoku	234.5	+ 1.5	19.0	. 4.2
lokuriku	225.2	+ 0.8	9,8	- 27,7

Japanese underwear group advances 5% lts outerwear and sportswear

By Emiko Terazono

Wacoal, Japan's leading women's underwear manufacturer, saw firm interim profits due to rationalisation of sales and advertising costs, but lower sales due to sluggish demand for its nightwear and snortswear.

The company posted a 5.1 per cent rise to Y6.6bn (\$60m) pre-tax profits for the first six months to Septem-

Sales slipped 1.7 per cent to

Its mainstay underwear sales rose 4.8 per cent to

However, nightwear sales fell 12 per cent to Y6.1bn and Y5.2bn, up 2.1 per cent.

sales plunged 25.6 per cent to Wacoal said Its profits offset

the fall in interest income due to lower interest rates. Interest gains plunged 39.6 per cent to Y689bn for the first Company officials said prof-

its rose on the after-tax level as the company posted special gains of Y803m thanks to the sale of securities boldings.

The company expects contin-Y65bn, but after tax profits ued sluggish demand for clothrose 14.4 per cent to lng during the second half, and deftly eliminated local competiin full-year pre-tax profits to Y10.3bn on a 0.4 per cent rise in sales to Y128bn. After tax profit is forecast at

Guoco plans listing for bank subsidiary

By Simon Holberton in Hong Kong

Guoco Group plans to list Dao Heng Bank, its wholly-owned banking subsidiary, early next month, company executives confirmed yesterday.

Dao Heng is Hong Kong's fourth largest bank in terms of assets and number of branches in Hong Kong, Earlier this year it acquired Overseas Trust Bank (OTB) for an estimated HK\$4.5hn (US\$58m) and promised a stock market flotation later in the year.

Guoco will issue 38.52m shares to the public - equal to 5.87 per cent of the bank's

enlarged capital - at a price of HK\$21.70 each. In addition, 151.75m shares (23.13 per cent of the bank's capital) will be offered to bold-

ers of US\$350m worth of con-vertible preferred stock which was issued to fund the acquisition of OTB. The issue price represents a

prospective price/earnings ratio of 14.5 on a fully-diluted

Dao Heng's net tangible assets value has been put at HK\$8.46 a share. Guoco, which is controlled by the Kwek family of Singa-pore, will retain a 71 per cent interest in Dao Heng.

By Kleran Cooke

Proton, tha Malaysian car manufacturer, has announced pre-tax profits for the six months to September 30 1993 of M\$135m (US\$52.9m), compared with M\$130m a year ago.
Turnover rose substantially

to M\$1.36bn, compared with M\$908m previously. This was mainly due to high demand for a new model launched on the

Analysts said that the marginal rise in profit was due to the increased cost of imported

exports, particularly to Europe It expects an improved performance in the second half of the

Proton posts marginal increase to M\$135m

parts. Proton cars are manufactured in partnership with Mit-subishi of Japan, and the company has suffered from the appreciation of the yen. Proton has a 70 per cent share of the domestic market and is seeking to increase

NCR reduces workforce

By Louise Kehoe

à...

NCR, the computer subsidiary of AT&T, yesterday unveiled details of a redundancy programme to reduce its worldwide workforce by 12 to 15 per

cent. The company said it would take unspecified charges to cover the redundancies in the first quarter of next year. NCR said it was offering vol-

untary severance incentives to US employees who agreed to

leave the company by the end

Of the approximately 27.000 NCR employees in the US. about 25,000 are eligible for voluntary separation and 5,500 for early retirement.

Mr Jerre Stead, NCR chairman and chief executive, said tha company recently announced a new, customer-focused business model, which called for fewer layers of management between NCR and its

Israel reviews bank sell-offs after Hapoalim setback

By Julian Ozanna

Israel's government was yesterday reviewing its large bank privatisation programme after investors spurned the latest issue of 10 per cent of Bank Haposlim, Israel's largest bank, offered on the Tel Aviv stock market.

The government managed only to sell 69 per cent of its 1.2m share offer, raising Shk403m (\$139m), Shk200m lese than expected. A further 1 per cent of shares were sold to employees at a dis-

counted price, raising Shk43.7m. The government's first offer of 20 per cent of Bank Hapoalim in May was oversubscribed 2.2 times and raised Shk780m.

Bankers and stock market analysts yesterday blamed tha government for mismanaging the share issue and warned of similar results at next week's offar of 10 per cent of Bank Leumi unless technical changes were made to the structure of the issue. They said the government had ansured the flop by ebolishing the maximum share price, leaving out underwriters and refusing

to attach options or warrants. The elimination of the maximum price on the issue meant there was no pre-sale to institutional investors. "The new structure of the issue pre-

cluded investors that usually invest on the first day to make a quick killing. Basically, the concept of the market was if there is an availability of shares on the market at a known price then why go through the process of allocation without knowing what the price will be," said one banker.

"The problem was with the technical

structure of the issue not with the financial attractivenese of Bank Happalim," he added, Shares in Bank Hapoalim offered by the government in May have appreciated 30 per cent in real terms in the past six months.

The government said yesterday it was committed to next week's sale of 10 per cent of Bank Leumi, Israel's second largest bank, in spite of the failure of the Bank Happalim issue. But market experts said unless the structure of the issue was changed investors would spurn the Bank Leumi offer.

Battle to clean up in Indian market

nilever and Procter & Camble, champions of soaps and detergents markets around the world, are preparing to do battle in a country with 880m potential consumers. Not far behind them are other multinationals, including Henkel and Benckiser of Germany and Kao of

Even two years ago, the pros pects of the world's largest oaps and detergents makers buying control of local competitors in India would have been untbinkable. Now, economic

Competition in soaps and detergents is growing, says Naazneen Karmali

liberalisation is freeing companies to fight for a market, which is already worth Rs23bn (\$733m) and is growing at an annual average of 10 per cent. Mr Sushim Datta, chairman of Hindustan Lever - the Indian affiliate of Unilever, the Anglo-Dutch combine ~ says that competition is all set to intensify. "There's going to be a fierce battle for shelf space.

Unilever, which has been operating in india since before independence in 1947, is buying control of the Tata Oil Mills Company (Tomco), the 75-yearold soaps and detergents company of the Tata group. In March, the boards of the two companies approved the merger of Tomco with Hindustan Lever which has annual turnover of Rs20bn, two-thirds of it in detergents.

P&G, a relative newcomer to India, last December struck a deal with Codrej Soaps, a privately-owned manufacturer with annual sales of Rs5bn. They formed P&G Godrej, a joint venture in which P&C took a 51 per cent stake. Mr Adi Godrej, chairman of the new company, says joining forces made sense because "e major competitor is a partner

By buying out strong home-grown brands, Unilever and P&G have tion and acquired wide-ranging distribution networks.

The partnership with Tomco gives Hindustan Lever a considerabla presence in the market, with an overall share of 26 per cent in volume terms. In toilet soaps, with the addition of Tomco's soaps to its own best-selling brands, Hindustan Lever now bas a 70 per cent market share. The Monopolies and Restrictive Trade Practices Commission is examining claims that the merger would make the multinational an over-dominant force in the market.
For P&G, the corporate

matchmaking is even more sig-nificant. Before signing up with Godrej. P&G's presence in India was limited to one product - Ariei, an enzyme-based detergent concentrate powder which was launched two years ago. P&G's range now includes Codrej's detergents and soaps that collectively have a 10 per cent markat share. P&G has also bought into Godrej's distribution system and has gained access to Indian soap technology. This is based on vegetable oils rather than ani mal fats, which are extensively used elsewhere in the world but which are taboo in

er since Lever earlier this year introduced Surf Ultra in responsa to Ariel, a squabble has broken out between the two compa-nies, which has included allegations of false advertising claims and unfair salling tactics.

The conceotrated powder segment that they have been quarrelling over is tiny - less detergent market. Hindustan Lever's general sales manager. Mr Rajendra Aneja, calls It "e battle in sheer futility...it's more a prestige issue". Selling Ariel bas been a strain on P&G's bottom line; in the last two years the company has suffered accumulated net losses of Rs210m.

Lever and P&G also bave others to worry about: Germany's Henkel has a joint venture with Southern Petrochemical Industries; Benckiser, also German, has an office in Delhi; and Kao, the Japanese group, is eyeing the Indian market. For Indian consumers, it means s balated range of choice - not to mention a dazzling display of marketing

from some of the top consumer products companies.

Attention turns to German regional inflation figures Swift offers price

recent political upsets.

day's half-point cut in the base

rate - which prompted a flurry

experienced a somewhat cal-

% point, helped by extension

By Sara Webb in London and Patrick Harverson in New York

The latest batch of west German regional inflation fig-ures provided the main focus of attention for the European government bond markets yesterday as market participants

GOVERNMENT BONDS

were anxious to see whether they would provide the Bundesbank with an excuse to lower key interest rates next month. German government bonds ended little changed, with the release of the cost-of-living figure for the state of Hesse pro-viding the main highlight of

The cost of living rose 0.3 per

cent in the month to mid-November, giving a year-on-vear increase of 3.8 per cent which was in line with market expectations, dealers said.

The other west German states of Baden-Württemberg, North Rhine-Westphalia, and Bayaria are due to report their cost-of-living data over the next few days.

Consumer prices for western Germany are expected to climb about 3.7 per cent in November from a year earlier, down from the October figure of 3.9 per cent. Some market participants believe this would enable the Bundesbank to cut its key Lombard and discount rates in Decembar - in spite of the bigber than-expected money supply figures for October which came ont earlier this

At its repo, the Bundesbank added a net DM12.2bn to the banking system. The funds were allotted at a fixed rate of 6.25 per cent, down from 6.29 per cent the previous week.

■ Italian government bond prices bounced back again, with prices rising across the yield curve and making up for some of the ground lost earlier

Dealers said long-dated bonds outperformed the short end of the market, with the 10-year yield spread over threeyear bonds moving to around 30 basis points, compared with about 55-60 basis points a week ago. Traders reported some selling out of the Asia Pacific yesterday, particularly in the three-to-five year area, but said some semblance of calm had

been restored to the market trades. The moves resulted in a when it appeared unlikely that flattening of the gilt vield flattening of the gilt yield . approval of the 1994 budget would be jeopardised by the

US Treasury prices held their ground in positive terri-■ Long-dated UK governtory yesterday in the wake of ment bonds continued to benesome mixed economic news. fit from the positive sentiment By midday, the benchmark about the low inflation back-30-year government bond was up & at 994, yielding 6.296 per ground yesterday, while shortdated issues drifted lower as cent. At the short end of the investors ruled out the prosmarket, the two year note was pect of another interest rate cut in the immediate future. unchanged at 100s, to yield 4.184 per cent. After Tuesday's big rally, After the excitement of Tues-

investors and dealers set about consolidating their gains. of activity - the gilt market There was nervousness that a round of strong economic data mer trading session yesterday. Short-dated stocks closed would spark off fresh selling, but fortunately yesterday'e about % point lower while long-dated issues gained nearly. news on the economy was not consistent enough to drive the market lower.

Although durable goods orders rose 2.0 per cent in October – the third consecutive monthly gain - weekly jobless claims came in weaker than expected, and the University of Michigan's consumer sentiment index showed a decline to 81.2 in November

■ Japanese government bond prices ended mixed with the yield curvs steepening sharply in the four to 10-year

from 82.7 in October.

Continued weakness in the Japanese stock market helped to support prices at the short end of the bond market. Money market prices edged lower as yesterday's fall in share prices once again revived hopes that the Bank of Japan will cut

cuts and rebate

By John Gapper. Benking Editor

Swift, the electronic network owned by 2,000 banks, yesterday responded to growing competition to handle cross-border payments by announcing a 20 per cent rebate for its customers this year, and a 16 per cent price cut for 1994.

Swift, which passes payment and settlement messages between banks over an electronic network run from Brussels, said the price cuts would save customers BFrl.5bn next year and reduce the minimum message tariff to BFr6.

The price cuts come at the end of a year in which several consortia of banks have disclosed plans to provide customers with cheaper and faster cross-border payments. Visa, the credit card group, is piloting a new system. Mr Leonard Schrank, Swift's chief executive, said it was cut-

ting prices because it faced ing competition. Mr Schrank said Swift was facing competition not only some of its member banks but from card companies and European telecommu-nication companies. "We will not be the lowest cost producer, but we will lower,"

Swift was founded in 1978 to transfer to an electronic network standard bank transactions which had been carried out by telex and other methods until then. It comprises both a data network, and a standard method of communicating.

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The number of electronic messages carried by Swift this year rose by 12 per cent, partly because of the turbulence in currency markets. The network provides foreign exchange matching and netting among settlement services. Some competitors have argued that Swift charges too much for data transfer because its cost base is excessive. The network employs 1,100 people in 93 countries.

. Among the eystems now competing to transfer small payments across borders is ibos, the system run by Royal Bank of Scotland, Banco Santander, Crédit Commercial de France and Banco de Comercio e Industria in Portugal

Long-term debt ratings at Ontario downgraded by S&P

By Antonia Sharpe

Standard & Poor'e surprised the market yesterday when it cut the long-term debt ratings of the province of Ontario and Ontario Hydro to double-A minus from double-A.

Yield spreads on Europonds issued by Ontario had tightened over the last week in the INTERNATIONAL

BONDS hope that S&P would not cut the province's rating, which had been placed on Credi-

tWatch with negative implica-

deterioration. The move reflected S&P's view that defi-cit targets for eucceeding years outlined in the province's medium-term plan would be missed. S&P removed Ontario's rating from CreditWatch yesterday and said that the rating outlook was stable. Yield epreads on Ontario's Eurobonds widened by a couple of basis points after the

said that the news had removed the uncertainty which had been hanging over the market. S&P's move allows Ontario to break its self-imposed exile from the Eurobond market.

news broke. However, traders

had been lifted. Canadian issuers shunned the D-Mark sector while the sanctions were in force because of the German banks' links with South Africa Elsewhere, Henderson Land, the Hong Kong property devel-oper, raised \$300m through a widely-expected offering of five-year Eurobonds. The bonds, which were priced to yield 95 basis points over US Treasuries, had a mixed reception. Some syndicate managers said the bonds looked expengive when compared with the

borrower's offering of three-

year convertible Eurobonds. If Henderson Land does not

NEW INTERNATIONAL BOND ISSUES US DOLLARS Henderson Land Finance Mill Bank Inst.† City of Uppealer CSAV 1,626 1997 -100 2.26 Dalwa Europe PESETAS Banco Sibao Vizorva 7.90 101,39 Manubani Corp 3.00 100.85R 1998 0.25 Benk of Tokyo FRENCH FRANCS SNFC(c) anthr 6.00 98,459 2008 0.35R Credit Lyonneli 101.75 4.00 Final terms and non-calleble unless stated. The yield streed (over relevant government bondiet leurch is supplied by the lead manager, it-Private placement, dWith equity warrants, t-Placing rate note. Rt fixed re-offer price; feet are shown at the re-offer level, a) Coupon pays 3 month Libor plus 30(b), b) Coupon pays 5 month Libor plus 0.1875%, c) Fungible with existing 4bn FFr, tesus, tasse is apit faild two transhes 1.5bn for it had an it.5bn for domestic markets. Spread is 17bp over the avesge yield of the OAT 814-2004 and the OAT 835-2008, d) Exercise period is from 10/1/94 units 10/12/97. Fiding 29/11/93.

Sachs said the bonds were priced in line with yield

Sociedad Comercial del Plata of Argentina plans to launch a \$100m, five-year Eurobond asue on Monday with a spread of between 340 and 880 basis points over US Treasuries, lead nanager Parihas said yester-

from the Argentine securities commission. The company - a conglomerate mainly involved in public services, energy and construction - aims to use the issue to pay off short-term debt incurred during its purchases of stakes in Argentine utilities

during the privatisation pro-

10.03 5 yrs 11.56 10 yrs 10.04 20 yrs 13.47 irred.†

IFR underwriting survey

By Tracy Corrigan

Most horrowers consider distribution capacity the top priority in selecting an underwriter for Eurobond issues. according to a survey by IFR. Next in importance are new issue pricing, secondary mar-ket support and impartiality. However, the survey belies protests by underwriters that league tables are not important: 51 per cent of respondents ranked position in league tables either second or third on

a scale of one to six. . in the Eurodollar bond mar-

6.02 6.96 7.04 7.15

6.02 6.82

7.11 8.24 6.50 8.86

6.26

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Mitted Sant 27g GS
Mateut Star Fin 63g 97
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Mateut San Fin 63g 97
Mateut San Fin 63g 97
Mateut San Fin 63g 97
Mateut San Allamar 4 CZ E
Sumition Bank 31g GS
San Allamar 74g GS E
Texas Instrumenta 24g GZ House Capital 9 GS E
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ket, Goldman Sachs is the top underwriter, with perceived strength in generating new ideas and giving impartial advīce.

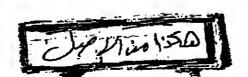
In the aterling Eurobond market, UBS and CS First Boston topped the table. Only two UK houses, Barclays de Zoete Wedd and SG Warburg, made it to the top five. Borrowers said they received a better service in sectors which were open to competition from foreign banks.

Borrowers Survey '93; pub lished by IFR Research, 11 New Fetter Lane, London EC4A IJN.

6.27 7.48 6.39 7.07 8.70 7.22 7.12 8.88 7.24

tions on October 4. S&P eaid the downgrade reflected the weakened resolve of the Ontario government to take unpopular expenditure adjustments in order to meet its deficit targets in 1993-94 in the face of unexpected revenue resolve of the Ontario might consider a Eurobond market the Syndicate managers expect the province to launch a long-dated Eurodollar offering in the near future. There was epeculation that Ontario might consider a Eurobond offering in the D-Mark except the province to launch a long-dated Eurodollar offering in the near future.	proceed with the public sale of ebares in Henderson China within three years, the bonds will yield 6.6 per cent to maturity. This represents a yield spread over US Treasuries of about 260 basis points. Lead manager Goldman syndicate overnight.	\$100m, five-year Eurobond issue on Monday with a spread of between 340 and 380 basis points over US Treasuries, lead manager Paribas said yesterday. The launch depends on gaining the expected permission construction — aim issue to pay off she incurred during it of stakes in Argen during the private cess.
WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS Red Coupon Date Price change Yield ago ago	Stally MINOTIONAL STALLAN GOVT, BOND (STP) PUTURES (LIPFE) Lim 200m 100ths of 100%	FT-ACTUARIES FIXED INTEREST INDICES Price indices Wed Day's Tue Accused UK Gifts Nov 24 change % Nov 23 Interest
Australia 10.000 10/02 121.1200 +0.510 6.80 6.63 6.47 Belgium 9.000 03/03 113.9100 +0.140 6.92 6.83 7.12 Canada 7.500 12/03 103.9500 -0.050 6.95 6.77 Denmark 8.000 05/03 110.6700 -0.030 6.45 5.83 6.40 Franca 87AN 9.500 05/08 100.0800 -0.100 5.40 6.08 6.11 OAT 8.750 10/03 104.9800 +0.070 6.07 5.96 5.91 Germany 8.000 09/03 100.8200 +0.050 6.88 5.85 5.90	Open Sett price Change High Low Est. vol. Open Int. Dec 112.20 112.97 0.83 112.70 111.83 01612 88673 Mar 112.20 112.65 0.86 112.86 111.88 12007 22790 Jun 111.85 112.55 0.61 111.85 11 0 ■ ITALIAN GOVT, BONG (STF) FUTURES OPTIONS (LIFFE) Lin200m 100ths of 100% Strike	1 Up to 6 years (25) 128.46 0.04 129.41 2.18 2.5-15 years (21) 157.89 0.14 167.71 2.25 3.10 0.07 15 years (8) 180.35 0.26 179.70 3.12 4 Insdemnables (8) 210.28 0.21 209.83 0.98 5 All stocks (61) 160.39 0.15 150.16 2.42 6ndex-finited
Raily	Price Mer Jun Mer Jun 11250 2.28 3.14 2.23 3.09 11300 2.05 2.90 2.50 3.35 11350 1.62 2.67 2.77 3.62 Est. vol. total, Calle 4352 Pure 1134, Previous day's open int., Calle 15024 Pule 17771	8 Up to 8 years (2) 190.84 0.04 196.56 0.72 7 Over 8 years (11) 186.63 -0.08 196.78 1.14 8 At stocks (13) 188.13 -0.07 186.25 1.10 Debartures and Loans
US Treasury * 5.790 08/03 99-22 +10/32 5.79 5.59 5.43 0.250 08/23 99-11 +12/32 6.30 6.13 6.01 ECU (French Govt) 8.000 04/03 110,7000 +0.350 6.44 6.30 6.45 London closing, "New York mid-day "Ricks: Lineal market standard of Gross brenail yield fincketing withholding tax et 12.5 per ceris perpalse by non-estimated standard Prices; US, UK is 33/ds, others is decimal.	Spains MOTIONAL SPANISH BOND FUTURES (MEFF) Open Selt price Change High Low Est. vol. Open Int. Dec 102.33 102.29 +0.18 102.40 102.15 22.012 84.498	9 Debs & Loans (65) 144.01 0.24 144.56 2.17 Average gross rederretion yields are shown above. Coupon Bandic Lear, 044-761 FT FTXED INTEREST INDICES Nov 24 Nov 23 Nov 22 Nov 18 Nov 16 Yr ago
France MINOTIONAL FRENCH BOND FUTURES (MATE) Open Selt price Change High Low Est. vol. Open Inc.	Mar 102.40 102.43 +0.05 102.80 102.32 2,112 9,882 Jun - 104.00 - 60 UK MOTIONAL UK GALT FUTURES (LIFFE)* 250,000 32-day of 100%	Govt. Sens. RJNQ 103.49 103.45 103.65 103.65 103.64 93.86 Photel Inference 123.86 123.80 124.05 124.15 124.16 108.50 Binds 100: Government Securities 13/10/25 and Placel Interest 1561. * Az 1955. Government Securities 16/10/25 and Placel Interest 1561. * Az 1955. Government Securities 16/10/25 and Placel Interest 1561. * Az 1955. Government Securities 16/10/25 (1/4/25), low 50.39 (1/4/25)
Dec 123.70 123.72 +0.26 123.80 123.56 8,524 156,318	Open Sett price Charge High Low Est. vol Open Int. Dec 115-23 115-09 -0-06 115-25 115-04 82077 98582 Mer 115-01 114-19 -0-07 115-02 114-18 36727 27790 Jun - 113-29 0-03 0 0 ■ LONG GILT FUTURES OPTIONS (LIFFE) \$50,000 64ths of 100% Setles PUTS	FT/ISMA INTERNATIONAL BOND SERVICE Listed are the latest international bonds for which there is an acceptance secondary to be a secondary of the secondary of t
122 123 0.72 - 0.01 0.13 - 124 0.06 - 0.36 0.20 - 125 0.01 - 0.36 0.20 126 - 0.36 1.22 127 0.60 1.22 127 - 0.93 - 5rt. vol. total, Calls 18,287 Puls 13,577, Previous day's open urt., Calls 317,768 Puls 281,909.	Price Mar Jun Mar Jun 114 2-04 2-33 1-30 2-38 110 1-35 2-04 1-81 3-10 116 1-08 1-43 2-34 3-49 Est. vol. total, Celts 50803 Puts 1053. Previous day's open Int., Celts 50995 Puts 11803	Abbury Red Treasury 6 ¹ / ₂ 03
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## 9UND FUTURES OPTIONS (LFFE) DM250,000 points of 100% Strike	US TREASURY BOND FUTURES (CST) \$100,000 32nds of 100% Open	BB P4, 97
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Bombardier settles dispute with TML

By Charles Batchelor and Robert Gibbens

A row between Bombardier, a Canadian supplier of trains for the Channel tunnel, and Trans-manche Link, the main contractor, over a C\$748m (£879m) claim to cover cost overruns
has been settled, the two sides
announced yesterday.

Details will not be
announced until the settlement

has been approved by the boards of the two companies and Eurotumel - operator of the cross-Channel link - on December 3, but Canadian analysts estimated the agreement would be worth C\$350m to Bombardier.

Bombardier lodged its claim against TML last summer to cover extra manufacturing costs incurred due to late design changes ordered by TML. The original contract,

awarded in July 1969, was for the supply of 254 shottle rail cars costing Ca650m.

The agreement removes the threat of further delays to the start of cross-Channel services next spring. The rail cars being built by Bombardier will carry cars, coaches and their passen-gers between the terminals at Folkestone and Calais

More details will be released after formal approval has been given, Bombardier said. It has already made special provisions totalling C\$225m to cover possible losses on the shuttle car contract.

If the agreement is approved early next month it will avoid the possibility of the dispute going to court. Mr Laurent Beaudoin, Bombardier chairman, had warned that legal action might become necessary if the dispute was not settled

Bombardier halted product tion of the rail cars being built by its Eurorall subsidiary at its plant at Bruges, Belgium, in March, but resumed deliveries

Eurotunnel said yesterday that it had not been affected by the delays in shipments of the rail cars, but it was concerned that problems could arise if the dispute had continued. "It was important for us to have something done about it," Euroturnel commented.

Nearly 100 of the rail cars have been delivered to TML and are being prepared for

Shuttle services carrying trucks and cars under the Channel are due to start next May, whila passenger-only trains are due to start running betwaen London Waterloo. Brossels Midi and Paris Gare du Nord in June or July.

Shares in Caledonia Investments rise 33p as profits reach £25m

By Catherine Milton

Shares in Caledonia Investments, the holding company controlled by the Cayzer family, rose 33p to close at 568p as a dull market welcomed its 27 per cent increase in net asset value per share at the half way stage and interim pre-tax profits up almost 30 per cent.

Net asset value rose to 625p (491p) after the cumulative write off of some 40p per share in goodwill on acquisitions. Fra-tax profits, which reached £25m (£19.8m) in the six months to September 30. included a £3m profit on the sale of operations and invest-

Mr Pater Buckley, deputy chairman and chief executive, conceded that £128m (£140m) in cash and near-cash was not ideal against a background of

Alba, the consumer electronics

group and UK market leader in

home audio and small screen

colour television sales, yester-

day reported a near-36 per cent

rise in interim profits and

described pre-Christmas high

street trading as "very satisfac-

The rise, from £1.2m to

£1.63m pre-tax for the six

months to end-September, came on turnover 10.9 per cent

higher at £50.1m. The compara-

tive profit figure included a

£194,000 loss on the now dis-

continued Greenwood Theatre.

Mr John Harris, chairman, said: "Trading in the UK has

been good in the period under

review and, despite the weak

television studios.

By Paul Taylor

tory.

encouraging trading

having gearing: "Wa have received £427m since 1987 and we have been making selective

purchases with an emphasis on finding our way into more trading situations since then. Profits from trading subsidiaries increased to 22.3m (£1.4m), reflecting an improvement in nearly all sectors. Income from associated companies also rose atrongly to £12.4m (£5.9m) on the back of a good performance by Bristow Helicopters and the inclusion of a full six months profit from

Income from investments fell by £900,000 to £6m because of a one off dividend related to the flotation of the Telegraph received in the comparative period and a decision to book dividends at ex-dividend date rather than at cash received. " Earnings per share rose to low interest rates. He could 18.9p (14p) and the dividend is envisage the company one day lifted to 5.4p (5p).

and Germany, we have experi-

enced reasonable levels of busi-

very satisfactory.

Exco, the money broker.

The company's recently-announced \$44m (£29.5m) move into leisure overseas via a joint venture with some old busi ness partners looks bold. But Caledonia's record for astute deals includes its sale of a controlling stake in British and Commonwealth Holdings just before the share price peaked and subsequent mopping up of some of B&C's businesses from administrators. The Cayzer caution means the net asset valua per share is probably still less than what could be realised. Mr Buckley, himself a Cayzer, hopes there is more valua in the unlisted associated companies which posted good results this time. If so, shares are trading at a discount to a net asset value which understates the worth of the company. Analysts forecast pre-tax profits of about £49m

Merrett appoints new chief executive

By Richard Lapper

Merrett Group yesterday appointed Mr Alan Cleary, the hairman of its loss adjusting arm, as group chief executive in a move which indicated that it may seek to restructure its business around its insurance services - rather than Lloyd's agency - interests.

Efforts to salvage Merrett Underwriting Agency Manage-ment, whose prospects have been brought into question by the difficulties of two of its largest syndicates, are continuing. Both syndicates 41g and 1067 were hit by the withdrawal last week of a plan by Travelers, the US insurance company, to offer backing which would have helped compensate for a sharp fall in support from members' agents.

Neither syndicate may have enough backing to continue underwriting in 1994, leaving their Names - the individuals whose assets support the mar-ket - with a potentially expen-sive "run-off" (meeting claims

on existing policies).

Mr Cleary joined Merrett in
1991 as chief executive of the services division, which includes Miller Knight, the loss adjuster, BIS, an insurance investigations business, Merrett Health Risk Manage ment, and a run-off company. He was recently appointed chairman of Miller Knight. As group chief executive he

replaces Mr Dennis Purkiss who recently resigned to join Zurich Re as chief operating officer. Mr Purkiss, who will be joined at Zurich by two leading Merrett underwriters - Mr Stewart Laderman and Mr Ken Barrett, takes over as chief executive officer at Zurich next year.

Mr Stephen Merrett, chairman of the Merrett Group. said of Mr Cleary "nobody is better equipped to see the Merrett Group through these diffi-

Alba advances 36% amid | Aberforth Split to raise

By Philip Coggan,

ness in these countries." He added: "Current business in the run up to Christmas is The chairman's comments on current IIK trading were in sharp contrast to some of Alba's competitors including

Amstrad, whose chairman, Mr Alan Sugar, warned last week that there was no evidence of a pre-Christmas high street spending boom. In addition to audio and domestic appliances, which Mr Harris said had sold particu-

larly well, the group has suc-cessfully entered tha higher profile UK satellite equipment and Nicam stereo TV markets. Earnings per share increased to 2.63p (1.82p) and the interim trading conditions in France dividend is maintained at 1p.

£51.5m via share issue will be convertible, either into

Personal Finance Editor

Aberforth Split Level Trust is seeking to more than double its size by raising an additional £51.5m after expenses. As with most recent trust issues, the funds will be raised via an offer of C shares at 100p

The investment trust which invests in the shares of small companies, has a split capital structure, with income shares, capital shares and units (a combination of one capital and one income share). In July 1994, the C shares

a unit, or into one capital and one income share, at the option of the holder. Trusts use the C share struc-

ture so that the two pools of assets are kept aeparate until the money raised via an issue is fully invested. Conversion then takes place at prices based on the asset values prevailing at the

Irrevocable undertakings have been received to apply for 47.5m C shares. The balance of the offer, some 5.5m C shares, is available to the

Catalogue deal for Thorn

Industries Correspondent

Thorn EMI yesterday concluded an agreement to administer for five years a music catalogue owned by Michael Jack-

Michael Jackson's music publishing company, which will receive advances of \$70m (£46.9m) from Thorn over the The advance next year will

of the Beatles songs written by John Lennon and Paul McCartney, as well as songs by Elvis Presley, Little Richard, Kenny Rogers and UB40. It does not include any work by Michael

Ferranti shareholders favour

Exchange rates help Tate & Lyle

By Maggie Urry

Tate & Lyle's combination of swings and roundabouts was largely favourable in the year to September 25, with profits before tax at £222.5m against £189.5m, although profits were still below the record £230.8m achieved in 1991. The pre-tax figure was boosted by £19.1m

from exchange rate gains.
Group sales were 13.4 per cent higher at £3.82bn, and operating profits rose by 13.6 per cent to £269.6m. Two of the five divisions suffered profit falls at the pre-interest level. in the North American sugar business profits fell from

539.6m to 528m, with Domino the cane business - largely to blame as lower sugar prices and selling quotas nit margins. A strike at one plant cost \$6m (£4m). Profits from Western, the beet business, also fell, with \$7m of start up costs from a new desugarisation plant, although this is now trading

profitably. The other division which suffered lower profits was Euro-pean cereal sweeteners and starches, where the decline was from £54m to £51.4m. Lower prices were caused by a potato starch glut, after a record crop, and as the problems of the paper industry

maant it used less starch. Outside North America, profits from sugar rose from £71.2m to £94.8m, including the Uk up from £49.9m to £64.4m, with a £4.6m stock profit thanks to the green pound devaluation. Productivity improved 10 per ceot in the

Profits from North American starch and sweeteners rose from £65.3m to £84.7m, with Staley, a problem area in 1992, up from \$118.7m to \$130m. In 1991 Staley made \$172.5m. The partial recovery in 1993 was despite pricing pressures, a \$12m rationalisation provision and a lock-out at one plant.

Animal feeds and bulk stor age profits rose from £20.1m to £25.1m. Sucralose, a sugar substitute Tate has developed, lost £5.8m (£4m) and is not expected to make significant profits until it gains approval in the big markets of the US and Europe. It has gained accep-tance in Canada, and has recently been approved in Australia and Russia.

Net interest charges fell from £47.9m to £47.1m. A settlement of a tax dispute in the US cut the tax charge from 26.2 per cent in 1992 to 24.7 per

Fully diluted earnings per share rose from 26.2p to 32.7p.

Lowndes Lambert up 24% at £5m

By Richard Lapper

Strong growth in both the UK and the US helped Lowndes Lambert, the insurance broker, increase pre-tax by 24 per cent to 25.2m for the six months to end-Septem-

The interim dividend is lifted from 25p to 5p from fully diluted earnings of 12.2p (10.9p). The shares rose 3p to

Mr Richard Shaw, chairman, expected further steady growth in the second half "Conditions in our major markets remain difficult but... the advent of new capital into Lloyd's and other sectors of the world market will increase capecity in

Unlike some of its competitors Lowndes Lambert received no benefit from the strengthening of the dollar, with its conversion rate averaging \$1.58 against sterling in the last two years. Turnover rose from £24.9m to £30.2m

while administrative expenses increased from £23.9m to £27.8m leaving broking profit of £2.4m (£1m).

income from the UK rose by 14 per cent and from the group's international division by 9 per cent.

Revenue from North American operations rose by 24 per cent. Of these amounts Norex, a UK retail and London market broker acquired last year, contributed £2.1m in turnover and £500,000 in broking profits.

Two associated undertakings - a 30 per cent stake in Datasure, and a 45 per cent share in a French subsidiary, La Nouvelle Securite - brought in a further £7m (£7.3m) in turnover and £1m in profits. Profits last year included £500,000 earned

from the sale of a 10 per cent stake in a subsidiary of La Nouvelle. Interest receivable wes steady at

• COMMENT

Since its flotation in 1991 Lowndes Lambert has steadily improved productivity recording successive increases in broking profits. With premium rates rising and prospects for the Lloyd's market - in which Lowndes places about 25 per cent of its business - reasonably positive, the group seems on course for full year 1993-94 profits of more than £13m and earnings per share of some 30p. At yesterday's closing price of 417p that puts the shares on a prospective multiple just under 14. Com-pared to a sector average for the mediumshares appear to represent good value.

Kewill recovery continues | Restructuring costs leave with profits at £1.76m the shares down 7p to 253p.

Recovery at Kewill Systems continued despite poor trading conditions and the software supplier said it should return to the dividend list by the end of the trading

Pre-tax profits of £1.76m for the six months to September 30 compared with losses of £172,000, restated for

Kewill had previously been expanding vigorously but high costs and management problems at a German subsidiary resulted in several months of reduced profits; the subsidiary has since been sold to its man-

Mr Kevin Overstall, chairman, said yesterday's results revealed the group's underlying strength.

The City, however, marked

strongly.

results. He said prospects for the sec-ond half would be constrained by economic conditions in the UK but that US operations, which doubled operating profits in the first half of the year, were expected to grow

Turnover from continuing

Operating profit rose 29 per

operations was £16m, com-

cent from £1.53m to £1.97m.

while earnings per share were 10.15p (losses of

Mr Overstall said the com-

pany had been successful in

petitioning the High Court to

sanction a capital reduction to

eliminate the deficit on distrib-

utable reserves; in conse-

quence the company should be in a position to declare a

dividend with its full year

pared with £14.2m.

Wagon lower at £5.06m improved turnover of £132m

(£114m)

By Paul Cheeseright, Midlands Correspondent

Pre-tax profits at Wagon Industrial, tha Telford-based materials handling, engineering and automotive products group, fell from £8.52m to 25.06m in the half year to September 30 as the group absorbed the costs of restructuring Forkardt, a German subsidiary dapendent on the machine tool market.

The result had been foreshadowed in June when Wagon said that the first half would be lower than in 1992-93 and that the full-year result would be similar to 1992-93. before meeting any costs at Forkardt. Reducing the size of For-

kardt cost £3m, shown as an exceptional item. Operating profits were from earnings per share down £7.42m against £8.1m, on from 14.62p to 4.52p.

Although poor levels of demand in Europe continued to drag down tha group's results, Mr John Hudson, chief executive, said "the UK is defi-

nitely picking up". Wagon, which has net cash balances of £8m, is looking for further UK acquisitions, Last August it bought Salter

Springs and Pressings for £2.9m in what looks like the first of a series of acquisitions. Wagon holds to its June statement of full-year profits similar to those of 1992-93 but has added some gloss. Mr Paul Taylor, chairman, said the board "feels a little bit more optimistic about prospects

than was the case then." The interim dividend is maintained at 6.325p, payable

Optometrics improves to \$98,000

Optometrics, the USM-qnoted optical systems group, reported increased pre-tax profits of \$98,000 (£65,770) for the six months to the end of September, compared with

•Mr Frank Denton, chairman. said shipments were above the levels of last year and the order book remained more than 30 per cent ahead.

Turnover was \$1.88m (\$1.76m). Earnings per share came ont at 0.7 cants (0.05 cents).

In October the company signed an agreement with Integrate Russia, which repre-

Premiums for three market newcomers

There were premiums for all three of yesterday's newcomers to the stock market. Shares in DFS Furniture, the

specialist upbolstery retailer, ended their first day's trading at 271p, compared to the 260p issue price. Some 17m shares were traded. The rise increases the value

of the 51.7 per cent stake retained by Mr Graham Kirkham, chairman, by about £6m. He raised £129m by selling 47.7 per cent of the group's shares in the flotation.

The public offer of 17.5m shares was 1.3 times subskewed towards smaller inves-

This may have created some

demand for shares yesterday from larger investors disappointed by the allotments.

Azlan Group, the networking products distributor which came to the market this week, saw its shares close 11p up on the 230p offer price.

Some £6m, net of expenses. was raised in the flotation. The proceeds will be used to increase its market share and expand internationally. Shares of Hozelock, the gar-

den equipment manufacturer,

recovered from an early low of

the antomotive components

manufacturer, fell 12%p to 56%p yesterday following a

warning from the company

that a further deterioration in continental European car pro-

duction would adversely affect

The directors estimated that

for the year as a whole produc-

tion would be 20 per cent lower than in 1992.

profits for 1993 were expected to fall from a reported £12m

(restated to £7.4m for FRS 3) to

"not less than" £8.5m.
Should a sale and leaseback

As a result, group pre-tax

Analysts said trading had been buoyant, with good two-way business. The group raised a net £18m through the placing of 11.2m

235p to close Ip above the issue

price at 251p.

ordinary shares, half of which were subject to a clawback to meet retail demand through intermediaries. The offer was 2.1 times subscribed.

The company will be using £5.4m of the proceeds to redeem existing preference shares and £8.5m to repay bank and sharebolder loans. The balance will provide working capital.

R	esults for the half year er	nded 30 Sej	otember 199
		1993	1992
	Turnover	£132,2m	£114.4m
	Profit before Tax and exceptional item	£8.1m	£8.5m
	Exceptionel item-redundancy and other restructuring costs at Forkardt	£3.0m	
	Eernings per ordinary share	4.52p	14.62p
	Interim dividend	6.325p	6.1330

"We are pleased with the underlying progress the Group has achieved during a period of significant economic pressure. in Britain it is anticipated that economic recovery will continue, albeit dempened somewhet by subdued export prospects. UK subsidiaries have improved market share and it is expected that this will continue."

Copies of the interim Report will be posted to shareholders n 24 November and may be obtained from the Company Secretary. Wagop Industrial Holdings p.l.C., Haldana House, Halesfield, Telford, Shropshire TF7 4P8 or telephone 0952 680 111.

*REUTERS 1000 RECEIVES TOP EUROPEAN

SERVICE AWARD*

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By Michael Skapinker, Leisure

son, the singer.
Ownership of the catalogue will remain with ATV Music,

ba \$30m, followed by smaller advances in subsequent

Thorn will be paid an unspecified percentage of gross roy-

The catalogue includes most

sents several large Russian optical institutes, for world-wide distribution rights of The shares rose 2p to 23p.

administration if GEC bid fails

By Paul Taylor Disgrantled Ferranti International shareholders are urging that the defence elactronics group should be placed in administration rather than receivership if GEC's token

Ip a share bid is rejected. A court-appointed administrator's role is to try to secure the survival of the company as a going concern, or achieve a more advantageous realisa-tion of the company's assets than available through a receiver's winding up of tha

the Ferranti Shareholders Sup-port Association, has chal-lenged GEC and Ferranti and their financial advisers to explain why the offer document fails to mention the possibility of administration if the

bid fails. In a letter yesterday to SG Warburg, GEC's adviser, Mr Katz wrote: "There may be factual considerations which applied in the (Ferranti) board preferring to propel the company to receivership if and when your offer is voted through administration the banks, creditors, employaes, customers, contractors and receiver. However, Mr Dow warned shareholders of Ferranti.

have denied a petition to allow administration." Mr Eugena Anderson, Ferranti's chairman, has told the group's 48,000 shareholders that if GEC's offer is not accepted by shareholders representing at least 90 per cent of the group's 1bn outstanding shares on December 8, the clos-

"Or possibly, certain banks

a receiver. There are some important differences between receiver-ship and administration, according to Mr Robert Dow, an editor of PLC, the practical law magazine for companies. The main duty of a receiver,

ing date for the offer, the

banks will be asked to eppoint

who is generally appointed by a secured creditor such as a bank, is to protect the interest of the bank whereas an administrator is appointed by the court and protects the interests of the company, and general body of creditors.

enforcement of craditors' rights and remedies, a benefit which is not available to a

that administration was generally only advantageous when e company was experiencing temporary cash flow problems, or where no creditor was able or willing to appoint a receiver. "If Ferranti's financial posi-

tion is as bad as the company appears to say, with no imme-diately foreseeable improve-ment, it is difficult to see how aharebolders could benafit In any event, secured creditors may be able to block an administration.

Under the Insolvency Act 1986, notice has to be given to anyone entitled to appoint a receiver as soon as a petition for an administration order is presented. This means that if any of

Ferranti's secured creditors, including the 15 banks which are owed some £100m, chooses to appoint a receiver under a properly drafted charge, An administrator enjoys the administration would not be benefit of a statutory freeze on an option anyway.

BSG Intl Aim shares fall 30p on warns on warning profits

Shares of Aim Group, tha maker of aircraft interior fittings, fell 30p to 143p yesterday following the company's warning on second half turnover

and profits.

It cited the recent announcement by Saab-Scania that certification of its new Saab 2000 airliner had been delayed by a year until October 1994. The supply of its interior is the group's largest contract.

Aim said that the aerospace market continued to weaken and although first half profits should be in line with expectations, it was unlikely that current full-year profits would year to April 30 1993 amounted

of two factories be completed before December 31 an excep-tional profit of £2m would lift the year-end figure to £10.5m.

full-year profits.

DIVIDENDS ANNOUNCED Total last year 3.76 4.85 15 5.585 ARI Leleure 2.51 Concentric Dunedin Wwide . Kwik Save ____ Osbome & Little.....int 0.28 8.7 Platignum ... Tate & Lyle Feb 8 6.325† 2.75 6.4‡

Dividends shown pence per share net except where otherwise stated, †On increased capital. "Equivalent after allowing for scrip laste. §USM stock. †Second interim, making 11.9p so far.

BPP shares tumble after profits warning

Shares in BPP yesterday plunged to their lowest level for almost three years as the language and professional training company warned annual profits would lower than expected due to increased rationalisation costs and a substantial property write-

The market marked tha shares down 90p to 215p, their lowest since February 1991, after the group announced it expected profits to be at least £6.3m before the write-down. Analysts had expected profits, scheduled for March 21, of

about £7.8m The group also said it expected to take a charge of about 25.3m through the profit and loss to account for a £7.5m reduction in the value of its properties. The rest would be charged against reserves.

BPP issued the warning fol-

lowing its decision to pull out of language training in Belgium and Japan at a further cost of £300,000. This followed the company's warning in

ing its exposure to the pressed Japanese market Mr Richard Price, chairman said yesterday trading had become particularly tough both in Japan and continental Europe in the last three

months. The language division was expected to incur a loss of 2400,000 against profits of 2857,000 last year of which £200,000 was attributable to the Belgian and Japanese busi-

Mr Price said he expected trading in the language divi-sion to be difficult through 1994, due to the increasingly dapressed climate in France and Germany.

However, he emphasised that profite continued to move ahead at the group'e three other divisions - publishing, and academic and professional training - albeit less rapidly than expected in the first two

He said confidence in these three businesses reinforced the decision to forecast an increased final dividend of 5.8p (5.3p), for a total of 8.8p (8p).

Scots are developing the power to invade England

James Buxton on the current expansion plans of Scottish Power and Scottish Hydro-Electric

pinions may differ on whether a line of new pylons through the hills of southern Scotland near the A74 Glasgow-Carlisle road enhance the scenery.

They will certainly enhance the business of Scottish Power and Scottish Hydro-Electric, the two Scottish electricity The recently-completed

pylons are the upgraded interconnector, the transmission line taking Scottish electricity exports to England. Scottish Power, which

reporte its interim results today, gets the lion's share of the 350MW increase in the interconnector's capacity, which is rising to 1,200MW, though Hydro-Electric's export capacity will rise slightly.

Total capacity should rise to 1,600MW by 1995, following

> Last week Scottish Power received another boost when it concluded an agreement with British Coal to take more than 2m tonnes of coal a year for the next five years on terms similar to those reached by the two English generators in the

improvements in the English

The deal involves a back-dated reduction in the price which will cut the company's fuel costs by £10m this year, and a more rapid drop in world

coal price levels than planned under the previous contract. Hydro-Electric, which generates most of its electricity from gas and hydro power, will get

one sixth of the coal. Unlike the regional electricity companies and the two English generators, the Scottish companies are vertically integrated, both generating and supplying electricity.

Apart from the Northern Ireland company they were the last to be floated and the only ones where the government got the price about right, per-mitting a small premium for investors but a sluggish after-From the start in 1991 the

two companies pursued differ-ent strategies. Scottish Power, with a market capitalisation more than twice that of Hydro-Electric, concentrated on its much bigger domestic market, while exporting power to England

via the interconnector. It also

developed some generating projects in England and stud-ied the possibility of supplying power to the Isle of Man, but none of these schemes materiin signing up to supply individ-ual customers south of the border. With Norweb it pushed ahead on a project to build a 680MW gas-fired power station

at Keadby on the Humber. Electric more dynamic and the market established a premium for its shares over Scottish

However, in Septembar Hydro-Electric dropped out of the FT-SE 100, and since Octo-ber has stood at a slight discount to Scottish Power, which is now making a bigger effort to explain where it is going. Mr Ian Preston, Scottish Power's chief executive, put achieving greater efficiency as a primary objective. It is now bringing itself up to the benchmark standards of the best US utilities, and has shed 30 per cent of staff in its core busi-

most of its generating assets and "to diversity prudently in It has plans to build a 250MW interconnector to supply Northern Ireland. The original route for the pylons across Ayrshire ran into opposition but the company will seek planning consent for a revised line next year.

7 hen that comes onstream towards the end of the and taking into account the intercon upgrade to England, 30 per at of Scottish Power's or should be going outside its own territory at prices outside the control of the regulator. The present level is 9 per cent.



Ian Preston, right, and Roger Young, of Hydro-Klectric

In diversifying, Scottish much smaller domestic market Power-has reorganised its retailing business, which claims 30 per cent of the Scottish white goods market and is expanding in northern England It has a joint venture in gas with Utilicorp, named Caledonian Gas, which already has 2,000 customers.

"It's a low risk business says Mr Preston. "Caledonian gets the customers, Utilicorp supplies the gas and British Gas delivers it."

Like other gas suppliers he is urging the government to lib-eralise tha gas market to embrace most domestic customers. At present only con-sumers who take 2,500 therms a year, giving an annual bill of more than £1,100, can choose

their supplier. Scottish Power is also spending 27m on a fibre optic telecommunications network between Glasgow and Edinburgh for use by other compa-

For Hydro-Electric, with a

and a share of the interconnec-tor that will only reach 490MW in 1995, the priority has been to develop generating capacity south of the border.

That policy is now coming to fruition. The Keadby plant will begin operating in January 1996, and last month it formed. a joint venture with BNF called Fellside to own a 157MW gas fired combined heat and power plant opening early next year at Seliafield.

With the enhanced interconnector and a 7MW combined heat and power plant at Dover, Hydro-Electric should be sup-plying 820MW of power in England by 1995.

.The north of Scotland company recently formed Vector Gas, a joint venture in gas with Marathon, which intends to market gas all over Britain under the HE Energy label. Rather more than Scottish Power, Hydro-Electric has its sights on becoming an all-pur-

What do all of these companies have in common?...



...a serious commitment to hygiene monitoring and quality assurance in the manufacture of their products...

...they also welcome Biotrace International Plc to the London Stock Exchange

BIOTRACE'

Exports help ABI rise 23%

ABI Leisure Group, tha caravan and leisure homes manufacturer, achieved a 23 per cent improvement in pretax profits, from £2.31m to £2.84m, in the year ended

August 31. Turnover rose 10 per cent to 261.8m (256.2m) with exports contributing over 31 per cent (25.8 per cent). A distributor has been appointed covering France, Spain and Portugal. Mr George Shiels, chairman, said that despite a reduction in

the size of the market, sales of UK laisure homes had Earnings per share advanced to 7p (5.8p) and the total dividend is maintained at 3.76p with a proposed final of 2.51p

Dunedin Worldwide

Dunedin Worldwide Investvalue by 40 per cent, from 608.3p to 848.5p per share, over the 12 months to October 31. Net revenue improved to £3.29m, against £3.12m restated to allow for a change of policy on income from fixed interest securities, for earnings of 9.68p (9.15p) per share. A recom-mended final dividend of 7.1p maintains the total at 9.5p.

Falcon Hldgs

Pre-tax profits at Falcon Hold-ings, the valve and pipeline equipment distributor formerly known as Walker & Staff, declined from £237,000 to £175,000 in the six months to

Turnover at both Falcon and Walker & Staff, its trading company, fell 14 per cent to

23.15m (£3.67m). Operating profits emerged at £144,000 (£187,000). Earnings shrank to 5.3p (7.3p) per share and an interim dividend of 3p (nil) is declared.

Cosalt

Losses at Cosalt, the diversified industrial group, were cut from £906,000 to £222,000 pre-tax for the year to August 29. Turnover from continuing activities fell from £62.6m to

Directors said the group would have returned to profit but for their decision to sell the fishing-related rope, net and twine business which resulted in an above-the-line

Exceptional items accounted for £357,000 (£2.14m) and interest for £1.06m (£1m). Losses per share emerged at 2.7p (7.4p). All comparative figures have been adjusted to conform with

A final dividend of 3.25p is to be paid from reserves for a 5.375p (10.75p) total.

Tex

Tex Holdings, a provider of consumables to the plastic, steel and energy industries. returned to the black in the six months to September 30. Profits before tax of £486,000 were achieved after charges of £104,000 for factory closure and

redundancy costs. Last time losses were £146,000. Turnover expanded to £12.3m (£7.9m). Earnings were 5.1p (1.6p) per share.

Wentworth

The USM quote of Wentworth International, the plastic pack-aging products group, is being cancelled following the recent

Monceau Investments, a wholly owned subsidiary of Banque Indosuez, will take up the balance of the rights issue shares, following which it will hold 91.15 per cent of the

enlarged share capital. Wentworth is investigating the possibility of its shares being dealt on a matched bargain basis under Rule 535(2).

City of London PR

City of London PR Group, the USM-quoted specialist investor relations and market research company, lifted pre-tax profits by 10 per cent from £292,000 to 2322,000 in the six months to

Mr John Greenhalgh, chairimprovement in the second

Turnover declined to £1.28m (£1.54m) but that was offset by an improvement in margins, Mr Greenhalgh said. Earnings per share improved to 3.17p (2.75p) and the interim dividend is raised to 1.27p (1.15p).

F&C Emerging Foreign & Colonial Emerging Markets Investment Trust saw a 65 per cent rise in net assets

per share at September 30, from 61.6p to 101.7p. Attributable revenue came out at £314,000 (£732,000). Earnings per chare were 0.31p (0.73p); a single final dividend of 0.27p (0.25p) is proposed.

Anglo Irish Bank

Anglo Irish Bank lifted pre-tax profits to 169.25m (£8.8m) for the year ended September 30. Last year's profits of 126.38m were reststed in accordance with FRS 3.

Mr A Gerard Murphy, chairman, said that despite the turbulent conditions of the first four months the ioan book emerged relatively unscathed from high interest rates. Earnings per share worked through at 5.7p (4.36p) and a final dividend of 2p is recommended for an unchanged 3.36

Kitty Little

Kitty Little, the USM-quoted maker of fragrant gifts, air fresheners and self-selection reading glasses, is acquiring the Foster Grant trade mark

from Benson Eyecare. Consideration of £720,000 will be satisfied via the issue of 2.4m new shares at 30p apiece. At the same time the group has arranged a placing and open offer of 7.13m new shares, on a 7-for-10 basis at 30p, to raise 22.14m to fund the recent-ly-announced purchase of Samco Sunglasses.

Of these, Durlacher & Co has placed firm 5.46m shares of which 3.17m have been placed with Benson Eyecare. In total Benson will hold 28.25 per cent of the enlarged



Aerospace Correspondent

and the second s

British Midland Airways, the second largest UK carrier, is strengthening its relationship with Scandinavian Airlines Systems by taking over a number of SAS routes from the UK to Scandinavia as well as eight to Scandinavia as well as eight SAS Boeing 737-500 aircraft. Sir Michael Bishop, BMA's chairman, also confirmed yes-terday that SAS would take up

its option to acquire next July a further 5 per cent stake in Airlines of Britain Holdings, BMA's parent company.
This would increase SAS's

overall stake in the UK airline

Although SAS is currently a sizeable fleet renewal and

following the collapse this week of the proposed Alcazar merger between SAS, KLM Royal Dutch Airlines, Swissair and Austrian Airlines, Sir Michael said the Scandinavian carrier was planning next April to look at how to develop

its relationship with RMA.
But the two sirlines had already agreed on two projects to reinforce their co-operation, including agreement for BMA to take over SAS's Glasgow-Copenhagen and London Heathrow-Bergen services as well as the eight Boeing aircraft from the Scandinavian carrier.

involving 17 jets worth £275m over the next four years,

Apart from the new 737s, BMA will be the launch customer for the new Fokker 70 aircraft: it has also ordered the larger Fokker 100 aircraft.

Sir Michael said BMA expected to report higher pre-tax profits this year than the £835,000 of last year. Although profits were still not at a satisfactory level, Sir Michael said the airline had continued to make money during the last three years of the worst postwar recession in the business. Turnover was expected to total about £350m this year

Airlines of Britain group,

air, would total about £450m.

Reflecting the airline's steady international expansion, Sir Michael said European services would account for about 55 per cent of turn-over this year compared with only 20 per cent five years ago. While SAS was now likely to enter of phase of retrenchment, BMA was continuing to

He stressed, however, that he considered SAS as a long term partner. "We felt SAS was the best partner for us and the relationship has been outstandingly good, I am now 51 and I expect the partnership will continue for the rest of my working life".

ML back | Concentric ahead in spite in the black

By David Blackwell

ML Holdings, the aerospace. defence and electronics group which launched a £14.3m rescue rights issue in January, returned to the black in the six months to September 30. Pre-tax profits amounted to £2.1m, compared with losses of

Mr Howard Grant, chief executive, said the figures -"the first meaningful set of results since the rights issue" - confirmed the group's recovery. But the board deferred : decision on a dividend until the end of the financial year.

Turnover improved by cent, from £40.2m to £43.1m. The group has cut almost 190 jobs compared with the previous balf, so that sales per employee were ahead 24 per

Mr Grant said progress had been made in all three divisions. Aerospace and marine boosted operating profits by 81 per cent to £1.41m on flat turnover of £17.8m.

Group borrowings, £14.9m, were marginally higher than at the year end, reflecting the timing of some hig contract payments, mainly

for aircraft. The electronic component distribution division lifted operating profits 70 per cent to £1.18m, while the aircraft and cargo handling division returned to the black with a contribution of £120,000 (£157,000 loss).

Gearing stood at 60 per cent at the end of the half, compared with 125 per cent. Earnings per sbare were 1.1p (2.6p loss).

of 'unusual instability'

By Paul Cheeseright, Midlands Correspondent

Concentric, the diversified Midlands-based engineering group, lifted pre-tax profits by 13 per cent in the year to September - a period which included "unusual instability in every business in which we are involved."

Pre-tax profits of £9.36m (£8.25m), achieved on turnover of £116.4m (£113m), were at the lower end of market expecta-"Month by month business

and opportunities have been up and down," said Mr Tony Firth, chairman.

show no sign of improvement,"

He said that the automotive market, which accounts for about balf of Concentric's sales, "collapsed" last January. The business in satellite dishes had been sluggish with considerable amounts of stock on the market following technical changes in dish specifica-

tions in the middle of the

By September, export sales accounted for 30 per cent of turnover, against 28 per cent in the first half. Mr Firth said, however, that continental European customers had "lost interest" as recession deep-

market difficulties, the rise in profits came from winning market share, the exploitation of new husiness and improved margins, Mr Firth said.

Following the rights issue in 1992, Concentric maintained a net cash position, although capital expenditure nearly doubled to £8m. The group has sought higher productivity through a restructuring which reduced the size of the workforce from 2,000 to 1,900 a year

Earnings per share rose from 11.63p to 12.03p. The final dividend is 4.09p, making a total of 5.86p (5.59p adjusted for Janu-

Goodhead falls £17m into red

Goodhead Group, the printing and publishing company, yes-terday announced a £17m pretax loss for the year to end-May, a £5.8m placing and open offer, and two disposals.

The deficit compared with a profit of £335,000 last time and included a £10.3m adjustment for goodwill, a £4.34m net loss on the disposal or closure of subsidiaries and £2.26m of other asset write-downs. Turnover fell from £46.3m to

£37.4m, of which £7.77m (£9.85m) was attributed to Losses per share came out at

101.4p (1.9p) and the single dividend is cut from 0.5p to 0.05p. Mr John Madejski, chairman

the net assets of the group had fallen substantially – from £123m to £6.81m. The purpose of the proposed fund-raising was to address that reduction and cut borrowings, he

raise £5.8m net of expenses via a placing and open offer of 24.2m new ordinary shares at 25p apiece on a 9-for-7 basis and/or 1.8368 new ordinary for every two preference shares

commence on December 22.

The fund-raising is subject to shareholder approval. In particular, they are being asked to

approve the waive by the Take make a general offer for Good

Goodhead's objective of refo-cusing the business, it is proposed that all non-core activi-

A number of disposals had already been completed, the chairman said, and the comholder approval for the sale of the leasehold property at Portbury, Bristol, and for the

The shares closed up 6p at

and chief executive, said that FT-SE Actuaries Indices: company sub-sector reassignments

412 Diet of Industrial Components & Equip 285 Engineering, Diversified 412 Diet of Industrial Components & Equip 414 Distributors, Others

310 Brewerles 293 Wool

269 Inst, Tools, Mech Handling Equip

269 Inst. Tools, Mech Handling Equip

270 Vehicle Components & Assemblers 262 Engineering Fabricators

289 Inst. Tools, Mech Handling Equip

236 Chemicals, Materials Technology 342 Furniture & Furnishings

269 Inst, Tools, Mech Handling Equip

268 Engineering, Aerospace & Defence

269 Inst, Tools, Mech Handling Equip

280 Paper & Packaging 269 Inst, Tools, Mech Handling Equip

269 Inst, Tools, Mech Handling Equip

236 Chemicals, Materials Technology

412 Dist of Industrial Components & Equip 487 Computer Services

299 Giftware & Costume Jewellery 269 Inst, Tools, Mech Hendling Equip

330 Food Manufacturers 360 Health Care

252 Electrical Equipment

262 Engineering, Fabricators

262 Engineering, Febricators

232 Chemicals, Commodity 262 Engineering, Fabricators

253 Electronic Equipment

346 Household Requisites

240 Diversified Industries

263 Engineering, Specialit

344 Floor Covering

232 Chemicals, Commodity .

412 Dist of Industrial Componer 263 Engineering, Specialitie 240 Diversified Industrials 265 Engineering, Oversified

Company BM Group Bogod Group

Brent International **Briapart-Gundry** Channel Holdings

Dickie (James) **Doming Printing** Elliott (B) Ferraris Group

Forward Group Hafalund Nycomed

MS Internationa

Porth Group

Ransom (William) Scapa Group

TDS Circuits . United Industries

WB Industrie

295 Textiles, Diversified 264 Engineering, Contractors

261 Engineering, Metallurgy-262 Electrical Equipment 264 Engineering, Contractors 280 Paper & Packaging 270 Vehicle Components & A ring, Fabricators 266 Engineering, Acrospace & Defence 269 Inst, Tools, Mech Handling Equip 236 Chemicals, Metantals Technology 262 Engineering Fabricators 264 Engineering, Contractors 412 Dist of Industrial Components & Equip

Mr Madejski is to subscribe up to £5.5m. A further 2m shares are to placed with 3i, subject to the entitlements of shareholders. Dealings in the new shares are expected to

over Panel of the possible obligation on the chairman to head in the event of his holding carrying more than 30 per cent of the voting rights in the

In addition, in line with

pany is now seeking share sale to its management of Company Publicity and its subsid-

240 Diversified Industrials

320 Spirits, Wines & Ciders 295 Textiles, Diversified

268 Engineering, Aerospec

234 Chemicals, Speciality

253 Electronic Equipment

253 Electronic Equipment

253 Electronic Equipment

222 Building Meterials 414 Distributors, Other

414 Distributors, Other

360 Health Care 265 Engineering, Diversitied

253 Electronic Equipment

265 Engineering, Diversified

262 Engineering, Fabricators

255 Engineering, Diversified 222 Building Materials

263 Engineering, Specia

265 Engineering, Divers 414 Distributors, Other

516 Other Business

284 Printing

253 Electronic Equipment

269 Inst, Tools, Mech Handling Equip

412 Dist of Industrial Components & Equip

412 Dist of Industrial Components & Equip

265 Engineering, Olversified

262 Engineering, Febricators

412 Dist of Industrial Components & Equit

Turnround at Osborne

Last year there was a charge the French offshoot.

Sir Peter Osborne, chairman, said the margins rise reflected continuing emphasis on cost ing's devaluation.

cent to £9.13m, against £9.87m, which included £1.83m from discontinued activities. Earnngs per share, helped hy the purchase for cancellation of 300,000 shares, were 9,33p

& Little

increased margins and the lack of exceptional costs this time enabled Osborne & Little, the wallpaper and furnishing fabrics concern, to report a turnround from losses of £502,000 to profits of £947,000 pre-tax for the six months to the end of

of £1.2m relating to the sale of

Group turnover rose 3 per

raised from 2p to 2.5p.

control and the effect of ster-

The interim dividend is

"General market conditions New trust has eyes set on | Platignum **European smaller companies**

By Philip Coggan, Personal Finance Editor

Providence Capitol and James Capel are launching an indexed investment trust specialising in European smaller

companie The Fairhairn European Smaller Companies Index Trust has already raised \$47m and is seeking to increase this to up to £65m via an offer for

The trust will track the James Capel European Smaller Companies Index, which covers 17 countries from Austria to Turkey and includes 1,000 stocks.

Providence Capitol. investment manager, will huy portfolio of 350 securities selected by James Capel to rep-licate the performance of the index. This is the first in a series of indexed investment trusts which Providence

Capitol hopes to launch.
The managers believe that this is a good time to buy Euro pean smaller companies. In both the US and the UK, smaller company shares have recently outperformed their

larger brethren as economies have shown signs of recovery. In Europe, smaller companies have underperformed since the start of 1991 as continental economies moved into recession. With interest rates falling, European economies should recover and smaller company shares start to out-

Shares are being offered at 100p, with a minimum investment of £2,000. The trust will have a seven year life which can be extended at the share bolder's option.

The trust qualifies for per sonal equity plan status although no specific plan is

advances

to £398,000 In spite of markets In which it operates remaining weak, Platignum, the manufacturer of pens, stationery, furniture and housewares, returned sharply higher profits for the six months to end-September.

At the pre-tax level they improved from £69,000 to boosted by acquisitions, ahead 32 per cent at £10.7m. Profits took account of

£146,000 (£78,000). However, there were no exceptional provisions this time compared with £260,000 previously. The interim dividend is lifted to 0.28p (0.25p) from earnings of 1.74p (0.29p).

national, both acquired earlier

this year, made a "positive

impact on the results.

Samuel Violegie Corporate Figure

Investment Trust pic

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(24 Was US \$ 128,464,200.00, and was US \$ 61,102,236,31. The agr value of the Noteholders securi thus 75.83 percent of the principal amount of Notes outstanding at the

The determination and publication of these figures is solely for the convenience and information of the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund

Opec ministers divided over production cuts

The Organisation of Petroleum Exporting Countries was last night locked in debate over the wisdom of making production cuts to shore up sagging prices, with some members fearing that reductions might only benefit non-Opec producers keen to carve out bigger market shares.

Uncertainty over the effectiveness of a strategy based on Opec cuts has dominated the meeting, which began in Vienna on Monday with s gloomy assessment of market conditions by Mr Jean Ping. Opec president and energy minister from Gabon.

He had appealed to the delegates from the 12 membar states to ". . . take s long hard look at our existing arrange-ments", which are based on a production ceiling of 24.52m barrels a day. That ceiling has been largely adhered to, with no evidence of the widespread

vious Opec deals. But a combination of factors such as low demand in the main oil consuming countries in Europe and in Japan and the perception among refiners and traders that supplies are

plentiful has helped to drive

down prices.

The delegates in Vienna have chastised non-Opec producers for benefitting from their restraint, but Mr Ping noted that it was up to Opec to find ". . . something we can do in the short term to steady the markets". Defining such steps has proved elusive, bowever. Dr Subroto, Opec secretary general, said delegates attending a closed-door meeting last night would "work until we

reach consensus". The meeting was expected to hear conflicting views on what to do, with some countries, including Venezuela, questioning whether cuts were appro-priate only two months after

Opec had hammered out a new production ceiling.

Of Opec's two biggest producers, only Iran seemed to be firmly on the side of production cuts, although analysts said it was unwilling to take tha lead in promoting them. Saudi Arabia, the dominant producer, also appeared unwilling to orchestrate any cuts.

The talks were also complicated by uncertainty over forecasts for demand for Opec oil Some estimates suggest that Opec need only maintain its present stance over the next several months for surplus stocks to be whittled away as demand increases in line with the onset of the northern hemisphere winter.

But many analysts believe at least a 3 per cent cut is needed to firm prices, which have drifted since Opec's September meeting, The Brent Bland January price was \$15.47% a barrel, down 15 cents, in late trading vesterday.

One in four farm animal breeds in danger of extinction, FAO warns

By John Madeley

Over a quarter of the 4,000 breeds of animals used for food and agriculture are in danger of becoming extinct, warns a report by the Food and Agriculture Organisation of the United Nations

If only 5 per cent of the breeds are being lost every year says the FAO, "the average loss could be about one breed a week".

The most endangered species are in Europe, says the report. Breeds under threat include the Regina cattle, in northern Italy, whose milk produces Parmesan cheese, the North Ronaldsay sheep of the Orkney islands that surviva on seaweed, and the Yakut cattle of

"A large number of European breeds are under threat

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because of their perceived lack of economic competitiveness,

says the FAO. It classifies breeds as endangered if there are 1,000 or less breeding females or less than 20 breeding males. Natural disasters, wars and indiscriminate cross-breeding are impor-tant causes for the extinction of breeds, it says.

In Asia and the Pacific, the report details 51 breeds at risk, including the Min Pig, which his highly prolific and diseaseresistant and capable of surviving in low temperatures, and Javanese Zebu cattle, a breed described as "highly fertile, hardy and resistant to tick-in-

festation". Breeds at risk in North Amarica include Florida Cracker cattle, one of the first to enter the United States, and the Imperial Sheep, which is

Precious Metals continued

GOLD COMEX (100 Troy oz.; \$/troy oz.)

capable of breeding almost all the year round. In Latin America, the Canastra pig, of Brazil, is said to be at risk and also the Blanco Orejinegro cattle, of Colombia.

"Much of the genetic base of indigenous breeds is being eroded by 'grading up' with exotics," says the FAO. Animal production contributes about 30 per cent to the total value of food and agricul-

ture and diversity of farm antmals is vital for food production for future generations, the report points out. It snggests that breeds should be regularly monitored

The World Watch List for Domestic Animal Diversity, FAO, Via delle Terme di Cara-

GRAINS AND OIL SEEDS

Self. Bay's price change (Sigh Law

WHEAT LCE (2 per torne)

calla, Rome, Italy,

and incentives given to encour-

age their use and maintenance

Lonrho in \$250m Uzbek gold venture

By Kenneth Gooding, Mining Correspondent

More than US\$250m will be spent over eight years on a gold mine in the newly-independent republic of Uzbekistan, once part of the former Soviet Union, Lourho, the UKbased conglomerate, announced yesterday. Lonrho will develop the mine jointly with two Uzbek government owned companies.

Mining is scheduled to start early in 1996 at an initial annual rate of 320,000 troy ounces, increasing after about four years to full production of 480,000 ounces. The first phase would cost Amantaytan Goldfields, set up to develop the mine, \$100m. Lourho would contribute about \$30m and the International Finance Corporation, the private sector investment arm of the World

Lourno gave a strong hint that bacteria might be used to produce the Uzbek gold. The gronp's 45-per-cent-owned associate, Ashanti Goldfields in Ghana, is at present installing the world's biggest biologi-cal oxidation plant, using tech-nology developed by Gencor of South Africa. This will use a naturally-occuring bacteria, thiobacillus ferro-oxidans, to release gold from difficult ores instead of employing heat and

Lourho said tests carried out so far indicated that the Uzbek ores were particularly amenable to biological oxidation. The process was particularly attractive because it would not save any harmful soluble materials in the waste to damage the delicate desert ecology the proposed mine will be in tha Kyzylkum desert, about

580km north-west of Tashkent. Other finance for the project will come from the European Bank for Reconstruction and Development. The UK Know-How Fund helped to finance a pre-feasibility study.

■ COCOA LCE (E/tonne

Sett Dey's neign change Sigh Law."

Smelting to continue at Avonmouth

By Kenneth Gooding

Four weeks after acquiring the UK's sole lead-zinc smelter, at Avanmouth, for A\$107m, MIM Holdings, the Australian resources group, is calling for a 19 per cent cut in the workforce, changes in working practices and increased metal production.

However, employees were ssured yesterday that, although the European zinc industry is discussing the coordinated closure of a smelter. MIM had no intention of shutting Avenmouth.

Mr Alan Pugh, managing director of Mount Isa-Holdings (UK), said the new management wanted to lift amusal production from Avonmouth to 120,000 tonnes of zinc. The rated capacity of the plant was only 105,000 tonnes but recently it had operated at an annual rate of 111,000 tonnes,

he said. Lead production is to be boosted from 45,000 to 55,000

wider rehabilitation scheme: -Head of one of the research

stations run by Israel's Volcani

they don't undermine Israeli

get joint enterprises going.

because Gaza is dependent on

Israel for drinking water, elec-

tricity, transport to the West

Bank, export facilities; . . Its

agriculture is totally based on the Israeli economy - their

MEAT AND LIVESTOCK

ILIVE CATTLE CME (40,000bs; cents/be

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kets," he says. "Wa hope to

tonnes a year ... MIM, which bought the plant from Pasminco, another Australian company, has started consultations with the unions

Mr Pugh said that about 40 ment" per cent of the redundancies would be among managerial. supervisory and support staff. The remaining employees would be asked to adopt more flexible working practices "to match the best in British

industry".
Increased productivity and extra metal production should improve operating profit by \$7.5m "to lift Avonmouth from a position of marginal profit to and is asking for at least 115 a world-class, low-cost pro-

volunteers for redundancy ducer of high quality zinc and from the present workforce of lead that provides an acceptabla return on invest-

> Analysts suggested that Avonmouth was safe from clo-sure once MIM took it over. The smelter uses the ISP (Imperial Smelting Process) technology, which has the capability to process complex feedstocks, including the mixed zinc and lead concentrate to be produced from 1995 at MIM's 70 per cent-owned McArthur River project in the Northern Territory of Austra

Gaza's farmers set for peace dividend

Montague Keen on Israeli efforts to boost the region's agriculture

ried man. Not far from his clean, modern nursery in the new Moshav settlement of Ein Habesor in the western Negev is the Geza strip - full of fertile soil, citrus orchards, plastic covered greenhouses and compatent armers impatiently awaiting the dawn of unrestricted trade

with all its neighbours. Until the intifada made It too azardous to be dependent on the regular arrival of Palestinians from across the border, 90 per cent of the 60-odd workers in Mr Yosi's company were Palestinians. Now they comprise less than a third. With surplus labour from large families earning much lower wages, Gazan farmers

can produce high quality fruit and vegetables at half the cost in Israel. While Israel controlled Gazan trade that didn't much matter. But free trade is now an imminent prospect. Hence Mr Yosi's furrowed Bucketfuls of international

money are poised to pour into the Gaza strip, said to be the world's most densely populated And it will be liberally aided

by its erstwhile conquerors. However worried Israel's farmers may be about competition, Israel's rulers are far more concerned to get the stricken

958 13,598 1161 1905 44,841 2200 1009 17,829 814 1011 8,366 180

Gazan economy on its feet and seeds and irrigation systems, thriving as soon as possible. Not only is this seen as the soundest insurance against for example."

How close that connection already is can be seen from the extremists: it is also in Israel's fact that strawberries grown in Geza account for over 60 per cent of those exported under the Israeli Carmel label. Here interests to channel Gaza's output of intensively-grown produce into export markets. This you have Palestinian producmeans not merely encouraging tion expertise, involving use of the most modern irrigation the most up-to-date production techniques in an industry already advanced well beyond techniques, plant varieties and its Arab neighbours, but creatproduction methods, linked to ing a marketing apparatus and export facilities, which at presan Israeli component commising forwarding, air freight and established marketing services. ent barely exist, save by courtesy of Israei's own sophisti-cated export-orientated system.

r Ezra Sadan, one of Israel's most outspo-ken and influential Professor Avi Nachmias is the man nominated to head a group of Israeli and Palestinian economists, a former directorexperts to help expand and modernise Gaza'a agricultural general of agriculture and now head of the Volcari, is scathing infrastructure, as part of a about the effect of the restric tive licensing system Israel has so far operated to limit competition from Gazan enterpris institute, the state's highly regarded agricultural research notably in textiles, and is confident that free trade, by organisation, Prof Nachmias giving the Palestinians access knows how interlocked Geza's to s a market 30 times its present size, will also generate economy is with Israel's. "Wa want them to export so that more joint enterprises with

> Gaza's agriculture has been changing, largely because of growing salinity in the citrus groves (because of substantial over-pumping from the shallow that population growth has outstripped the rate of water

replenishment. Together with the depressed prices for oranges in world markets, this has forced Gazan farmers into concentrating on high value, water-economical crops, creating what Mr Sadan recently described as "an utterly modern horticultural industry". In 1991 this comprised 400 hectares of greenhouses (Israel has 2,500 ha) and 700 ha of plastic tunnels. They represented an investment of between \$30m. and \$40m divided among sev-

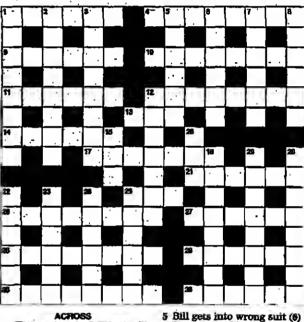
eral hundred families.

The horticultural industry is well poised to attack markets in northern Europe and throughout the Middle East. In mid-October tha first (official) convoy of 17 produce-laden lorries crossed from Gaza through the West Bank en route to Dubai: a harbinger of a poten-tially booming trade.

For Israel as a whole, with less than 3 per cent of its population now directly involved in farming or horticulture, the liberalisation of trade with Gaza is unlikely to have any serious economic impact. For people like Malachi Yosl, however, a frisson of apprehension is understandable. Nevertheless, the more speedily Israel and the West can help promote Gaza's ravaged economy and wages, the less painful will be this modest price for peace.

CROSSWORD

No.8,315 Set by HIGHLANDER



to enter race? Take a pill 4 Drink laft on rotating

conveyor (8)
6 Coppers' shift? (6)
10 Prevent high-pitched coming to an end (8) a range of drinks (6)

Two helpings of salt on top
of egg sauce (7)

Not good mounts for fish (3) 11 Be disposed to secure explo sive, otherwise finis (3,3) 16 A representative's current strength (3) 18 Place offering great riches 12 Go round inside to the hand in

glove (8)
13 Vehicle in front (3) 14 Wound on a spool that's stag-

gered (5) Music to accompany session 31 Please leave tops on corrosive substance to be collected (6) 25 2-0 in favour (8)

constable getting away (3.3.)
28 Looking back, John and
Margo liked to include more
than two pounds (8)

1 Pet turns up before I go quiet (8)
2 Chain for two allowed (8)
3 It takes gene nucleus plus sex to procreate (8)

JOTTER PAD.



6 Large game bird (6) 7 Snub second match with

8 African encampments lack

to extravagant old dear with nothing (8) 19 Glass vessel (8)

resisted change (3)
Expressed as "dig between two points" (6)

23 Band that's worn constitutes a marina obstacle (6) Some body parts start tiring

employee

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- A

minor (6)

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Prices from Ameri	gamated Metal Ti 38.7 PURITY (\$.00			price	change	High	Sout	1	W.		price	change may a	#Egit	Les	let.	Word.		price (spends 27
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Close	932-4	954-6	Dec Jan	375.7	+1.5	375.9	373.0	11,555	5,364	Mary	3375	+2/9	339/2	3354	141,455			1247	+5 1
Previous	933-5	957-8	Apr	377.A	+1.0	378.0				Jul	321/2	-0/2	328/0	325/0			M	1264	+6 1
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	0.20 74.60 74.50 0.20 75.18 74.65	946 10 28,590 7,718	Jan	164.00	+.50	164.75	163.00		5325	Açı-	1275	+2 -11	1255 1140	1270 1140	624 227	79 1	Jul Get	64.18 62.94	-0.17 64
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PRECIOUS	METALS			TURAL (LAS KY	ex na											Mar.	107.15	-0.75 108
(Prices supplied b					Day's			Орен									May Jel	109.35	-0.70 110 -0.85 111
		£ equiv.		price	change	High	Law	100	Yol								Sap	112.10	-0.05
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Morning for Alternoon for	378.10 378.35	252.620 252.245	Apr	2.090	+.005	2.100	2005	9,430	667	1						1			
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Day's Low Previous close	375.00-375.50 376.00-378.50		Tabai		1.444	2100		120,084		COT	TON								
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Maple Leaf	987.35-389.80	50.00.00.00														}	-	2	

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LONDON STOCK EXCHANGE

MARKET REPORT

Shares steady in modest trading volume

By Terry Byland, UK Stock Market Editor

Institutional investors could find nothing to go for yesterday in a London market where base rate hopes have been fulfilled; share the first hour of trading, interest prices drifted aimlessly in the gen- was largely confined to a batch of eral direction of Budget Day, next Tuesday. Although trading volume remained fairly good, business largely focused around company statements and special situations.

London paid little heed to the early firmness on Wall Street, where the Thanksgiving Day holiday is expected to extend until the weekend. After moving erratically through a narrow range, the FT-SE 100 Index closed 21 down at 3,067.2 Sentiment appeared to soften in the final minutes after suggestions that Pilkington, the glassmaker, planned

to make a rights issue.

The stock market made a slow start, with City workers struggling into their offices against a back ground of serious disruption of Lonshare placings among relatively small companies which kept some traders busy without exciting the market.

Blue chip internationals were generally easier, shying away shead of Wall Street's likely torpor rather than responding to firmness on other European bourses. Pharmacentical stocks acted as a drag on the market and oil shares lacked decision while the market continned to keep a wary eye on the weak-ness-of global prices for crude oil. On the domestic front, store and

Accoun	nt Dealing	Dates
Hast Dealings: Nov 15	.Nov 29	Dec 13
Option Declarations Nov 25	Dec 9	Dec 30
est Dealings: Nov 26	Dec 18	Dec 31
locount Days Dao 8	Dec 20	Jan 10

retail issues, the prime beneficiaries from lower interest rates, gave ground as traders waited see if Mr Kenneth Clarke, the UK chancellor of the exchequer, has any unpleas-ant surprises for them when he delivers his Budget speech.

However, there was activity among the UK television stocks as the government proposed limited changes in rules governing commer-cial television ownership.

Equity strategists continued to more about Japan." express disappointment that the balf-point cut in base rates announced on Tuesday almost certainly rules out another cut in the Budget. "We had been hoping for one per cent (cut)," commented Mr Robin Aspinall at Panmure Gordon, the UK brokerage bouse. He pointed out the Bank of England should be more market sensitive than the

chancellor, a fact which be thinks

will create more avid speculation

about rate cuts in the future. Nervousness over the general outlook for global markets also continued to run high, with London traders responding cautiously to ments on the GATT talks prospects from France, Mr Nicholas Knight, the strongest bull of the London market, told clients that they should "worry less about US.

He believes that Wali Street has ridden fairly comfortably through the scare that US interest rates may be about to rise. But he advises selling into any rally in the Japanese market. For the UK, he reiterates the view expressed by many UK strategists that this week's cut in base rates surprised only in its timing and that "stock prices are

going up - period."
Seaq trading volume, at 567.1m shares, against 667.1m in the previous session, was relanvely good but the total was swollen by activity in some of the second-line issues.

On Tuesday, retail, or customer, business recovered from recent weakness to return a value total of £1.58bn in spite of the turbulence in the market as the base rate cut was digested.

FT-A All-Share Index Equity Shares Traded 1.500 -1,460 4

Indices and ratio	8	
FT SE 100	3067.2	-21
FT-SE Mid 250	3430.7	-6.5
FT-SE-A 350	1530.9	-1.7
FT-A All-Share	1515.21	-1.85
FT-A All-Share yield	3.76	(3.76)
Best performing	sectors	
1 Insurance (Compos	ite)	+2.1

1,000

Kev indicators

SE 100	3067.2	-21	FT Ordinary index
-SE Mid 250	3430.7	-6.5	FT-A 500 p/e
-SE-A 350	1530.9	-1.7	FT-SE 100 Fut Dec
· A All-Share	1515.21	-1.85	10 yr Gift yield
-A All-Share yield	3.76	(3.76)	Yield ratio:
st performing	sectors		Worst perform
Insurance (Compos	ite)	+2.1	1 Electricity
Engineering-Aeros	ace	+1.3	2 Motors
B!			

Health & Household

2329.9

19.60

+3.0

TV stocks

within the sector. Investors had expected the news last week and have been preparing themselves for a rash of hids for some time. But there was surprise over a cou-

Traded options took centre

derivative dealings yesterday as volumes were boosted by

expiry of the November series,

stage in London'a equity

Equity options turnover

represented more than half

of the total options volume

of just over 56,000 contracts

writes Peter John.

FT-SE Mid 250 FT-SE Mid 250 ex fire Trusts FT-SE-A 350

1 CAPITAL GOODS(215) 2 Building Meseriels(28) 5 Contracting, Construction(29) 4 Electricals(15) 5 Electronics(38)

10 Other Industriate(19)

47 Water(13) 48 Miscellaneous(31)

51 Of & Gas(17) 59 "600" SHARE INDEX[614]

49 INDUSTRIAL GROUP(\$96)

61 FENANCIAL GROUP(91)

21 CONSUMER GROUP(239 22 Browners and Distillers(26) 25 Food Menufacturing(24) 26 Food Retailing(17) 27 Health & Household(31) 29 Hotels and Leteure(20)

FT-Actuaries All-Share

FT-SE SmallCap FT-SE SmallCap ex FT-A ALL-SHARE

ple of riders in the announcement which could impinge on the future of Yorkshire-Tyne Tees, Scottish and HTV.

Yorkshire-Tyne Tees had been considered as a prime hid candidate, but Mr Peter Brooke, the national heritage minister, said one company would only be allowed to hold two regional licences. Dealers said that, as Yorkshire Tyne Tees already represented two regions, it would be protected. Consequently, the share price

fell 17 to 194p.

Analysts had also anticipated that the national status of the Walsh and Scottish channels would have been protected but there was no exclusion clause in the final aunouncement and the possibility of bids sent HTV up 4 to 92p and Scottish 5 higher at 449p. Among the more likely bid targets, Anglia rose 8 to 436p and Central improved 77 to 2170p.

Kingfisher sold

Stores conglomarate Kingfisher came under pressure as poor French economic data combined with the postpone-ment of a subsidiary's results to bit the shares. They finished 13 down at 654p, although turn-over was a lowly 1m. Analysts said that the company had postponed preliminary results

from Darty, the French electrical retail arm nurchased last February for £560m, due next week. While Kingfisher said the one month's delay was to enable a more detailed set of results to be published, some in the market read the move with suspicion. The shares were not helped by publication of dull French bousehold con-

sumption figures. However, Kingfisher was not alone in a weak stores sector, undermined by press headlines forecasting s tough Budget next week for consumers following the base rate cut on Tuesday. Among those burt, Dixons slipped 5 to 265p. Great Universal Stores 6 to 555p and

TRADING VOLUME

■ Major Stocks yesterday

Marks and Spencer 3 to 404p. Big turnover was seen in Burton as one US institution sold some 19.4m shares at 63p to Lehman Brothers which sold them on at 63% p. With total turnover showing only 30m being traded by the close, there were suggestions that possibly not all the stock had

been placed. Azlan, the lesding value added distribution group to the network computing market, made a highly successful debut in the market. The shares, offered at 230p, moved up steadily throughout the session, closing at 241p. Turnover totalled 7.1m shares.

Another successful market debut was seen, this time from DFS Furniture, which came to the market at 260p, closing 11 ahead at 271p.

The absence of any bard news from the Opec meeting in Vienna left the oil sector in limbo. Analysts said there were suggestions that 8 2 per cent output cut may be achieved by Opec members. "That would be viewed favour-ably by the market at the outset but longer term would be cutting things too fine. A deep cut, and stringent discipline is needed, or oil prices could easily slip another \$2 to \$3 a barrel.".One senior oil analyst said that the near term performance of the oil sector "depends entirely on Opec's ability to achieve a workable output accord; if they don't the sector will go sharply lower."

Shell Transport managed a minor improvement at 687p following a presentation in Lon-

don to UK oil analysts. Analysts said the meeting pro-duced an extremely solid performance by Shell, with the company communicating its determination to cut costs and raise the return of capital. "There was not much for the bears to get their teeth into." said one analyst who attended

the meeting. Sugar and sweetener group Tate and Lyle produced results at the top end of market fore-casts and together with an upbeat statement sent the shares smartly forward. They closed 9 ahead at 395p. However, analysts pointed out that operating profits, which were up 11.2 per cent, would have actually slipped once currency benefits and the effect of the pound's devaluation on EU

sugar support prices had been stripped out. Figures from Kwik Save, the discount supermarket operator, met analysts expectations. However, the company cau-tioned over the increasingly tough price competition in the industry. The shares retreated

9 to 573p. Further trouble for Euro Disney, the loss-making theme park operator, as the shares swift retreat in Paris prompted three separate suspensions. A rumour that the group's creditor bankers were planning the setting up of a committee to help in any restructuring was being heard. On Tuesday, there was also speculation that big creditors were attempting to sell their loans at a hefty discount. In London, the shares closed 62 down at 318p.

M NEW HIGHS AND LOWS

FOR 1993

NEW HOCKS 1493

NEW HOCKS 1493

RETISH FUNDS © THOSE 6'App. '25-98, Cm.,
3'upo '5), BLDG MATTLS 149 Base Cords, Erwar,
Grafton, FRAC, BUILBRISS SERINS 21; Historison
Whampon, Serton, CHEMS (1) Crosts, CONTTO &
CONSTRUCT (1) Borner Homes, ELECTROSTY
(1) Chris Light, ELECTROSICS (2) Kewal
SYCEMS, PRON. ENG GER (3) Cobson Para,
Hadden MacLollan, Revold, HEALTH & HISEHOLD
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(3) Fleming Chrisco Inv., Plenting Erroy, Mics., F &
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Pacific, Rever Plate Zero Pt., Wolldhead Inv.,
MEDIA 46 Angla, TV. Certain (17), Euronopey
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Qastome & Liste, MOTORS © 21 ABI, Lucis Wis,
OTHER FINCL, [1] Caledona Inva., OTHER
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PRINTO (2) Arts Wiggins Applean, De La Rus,
PROP (6) Brit. Lucis d'App. P., Reterior King,
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Data based on those Companies quoted on the London Share Service

Thorn EMI shares weakened on cautious comment after Tuesday's results, closing 19 down at 895p. There were also news reports that Thorn's music division bad spent \$200m aquiring Michael Jackson's music catalogue, but the company finally denied the story after the market had

Bank shares rallied after the mauling they received on Tuesday when the market reeled from worries about shrinking margins and talk that a leading broker had prepared s bearish review of the sector. Barclays ran up 6 to 554p.

Lloyds and NatWest 4 apiece to 567p and 529p and HSBC, with buying fuelled by the rise on the Hong Kong market, up 12

to 733p. Scotia, the research-based pharmaceutical group, jumped to 287p after it was announced that a treatment being developed by the com-pany to combat cancer might also be used to fight the HIV Aids virus. Wellcome, which manufactures the leading Aids Treatment, Retrovir, fell 5 to

Automotive components manufacturer BSG Internstional tumbled 12% to 56%p after issuing a profits warning. The news pulled down T&N, off 4 at 190p, with GKN off the same amount at 480p. There was also a profits

warning from serospace component producer AIM Group, the shares crashing 30 to 143p. Glass manufacturer Pilkington managed a modest improvement to 152p on turnover of 1.5m despite late hints around the market that the company may be about to launch a sizeable rights issue.

News of the profits warning from Philip Morris came too late to impact on the London market, although their weakness hinted at some inkling among some investors. BAT Industries slipped 5 to 485p and Rothmans 2 to 416p.

MARKET REPORTERS: Christopher Price, Peter John, Steve Thompson.

Cither statistics, Page 20

on bid alert

Television provided a glimmer of activity in an otherwise dull London market yesterday as the government finally gave

the go-ahead for mergers

EQUITY FUTURES AND OPTIONS TRADING holdings. Royal Insurance with 2,716 lots traded, GEC (2,312

lots), BT (1,805), British

Aerospace (1,681), Vodafone (1,910) and Guinness (1,174) all had expiring November series yesterday. However, the most active stock option - National Power with 3,501 lots dealt - was

3067.2 -0.1 3088.3 3070.8 3108.0 2708.5 3.87
3490.7 -0.2 3439.2 3436.4 3456.3 2611.1 3.55
3428.6 -0.2 3437.6 3435.4 3432.1 2615.4 3.67
1530.9 -0.1 1532.6 1532.7 1549.2 1310.3 3.50
1736.86 -0.3 1741.40 1746.53 1753.50 - 3.17
1712.88 -0.4 1718.87 1724.88 1731.00 - 3.39
1515.21 -0.1 1517.06 1517.41 1538.12 1285.36 8.76

-0.3 2061,61 2064.43 2061.95 1771.21 4,82 -0.4 1664.62 1660.25 1653.32 1671.29 3,60 -0.3 1627.65 1630.72 1800.47 2007.67 4,12 +0.2 1314.42 1317.17 1329.73 1246.02 3,95 +0.4 2369.66 2416.22 2443.07 2364.67 3,96 -0.8 3506.65 3503.37 3532.51 4526.60 3,92 -0.7 1375.86 1390.55 1403.89 1147.92 4,31 +0.3 2161.75 2161.06 2180.73 1653.00 2,38 -0.2 363.87 869.99 889.18 729.83 3,40 -0.9 1314.07 1312.99 1323.85 1064.10 2,81 -0.9 1314.07 1312.99 1323.85 1064.10 2,81

-0.2 834.01 829.68 838.93 689.91

Dey's Pow 23 Nov 22 Nov 13 ago yield?6
-0.6 1663.97 1863.95 1876.86 1380.37 3.88 6.93 17.37 44.97 1167.65 -0.5 1862.85 1825.86 1387.88 1380.37 3.88 6.93 17.37 44.97 1167.65 -0.5 1823.55 1825.38 (821.89 1387.89 2.79 7.37 15.41 32.82 1084.73 -0.1 1808.28 1487.29 1490.13 1331.99 4.43 0.32 47.96 1086.67 40.1 1908.28 1401.74 1832.94 1536.74 4.77 6.52 17.30 48.95 1203.13 -0.2 3293.10 3282.47 3286.55 2586.80 3.58 4.10 27.91 89.51 1229.10 -2.0 2184.25 2168.92 2191.20 1516.63 3.73 10.96 13.30 67.84 1222.21 -0.5 2007.40 2003.50 2003.78 1639.55 -0.1 3698.58 3654.35 3675.86 3228.78 4.84 11.71 9.44 116.68 1179.89 -0.8 2490.82 2503.90 2514.49 2590.74 4.65 7.51 16.41 83.58 1032.12

-Q.4 1523,70 1523,19 1597,39 1353,15 3.79 6.28 19.39 41,15 1081,52 +Q.1 2784,70 2708,41 2731,29 2141,85 4.12 5.84 21,43 89,73 1270,33

+0.9 1160.82 1170.79 1189.26 840.62 3.70 3.28 44.98 34.09 1388.36 41.0 1814.00 1638.89 1688.24 1158.76 3.30 3.55 35.74 45.27 1418.27 40.1 2024.74 2022.75 2038.48 1688.98 4.53 4.73 28.59 73.50 1197.87 4.21 870.01 873.89 691.71 815.57 4.93 ± ±8.54 1373.85 4.02 886.52 889.81 886.31 708.50 4.45 4.73 30.86 27.02 1161.72 40.6 789.65 801.47 810.93 482.04 2.96 7.30 16.78 16.79 1632.67 40.4 1082.31 1088.15 1095.38 615.32 3.71 3.89 36.89 24.95 1786.61 4.05 435.38 438.44 440.25 255.06 3.66 5.35 24.71 11.17 1494.77 4.02 7724.37 7718.78 1740.21 1281.31 2.39 1.92 52.17 31.21 1318.63

1515.21 -0.1 1517.06 1517.41 1583.12 1285.35 3.78 5.62 22.06 41.91 1162.96

10.00 11.00 12.00 13.00 14.00 15.00 16.10 High/day Low/day

	Open	Sett price.	Change	High	Low	Est vol	Open int
Dec	3072.0	3070.0	3.0	3086.0	3082.0	7963	. 55135.
Mear	3091.0	3087.5	3.0	3100.0	3065.0	497	13122
Jun	3105.0 traded on A	3097.5	3.0	3105.0	3105.0	4	961

FT-SE 100 INDEX OPTION (LIFFE) (*3066) 210 per tul index point

Andread man Anna Anna Calls 5.588 Pub 21,138 M RIMO STYLE FT-SE 100 INDEX OPTION (LIFTE) £10 per full index point

10210	1000 KH1		3010	
0 P	C P C	P C P-	C P C	PCPCP
Dec 2031 12	16212 1712 12012	61, 821, 62 5	D'2 B112 2812 8	312 15 11912 612 16112
Jan 225 26	184 35 148	18 ¹ 2 112 B2	12. B1 2 . 57	106 3712 13812 2312 17112
Feb	202 4412	12012. 71	74121	14-2 3812 177
	218 2 57 2	146. 85.	90-2 1	
Junt	242 75	176 10612.	123121	5012 8212 207
Calls 1,161 Puts 592				
† Long dated soply			author and mindant and	manage said builder

1016.65 2880.18 2797.02

514.12 463.03 451.94 2055.91

1658,08

1822,43 1317.25 2408.40 3475.12 1366.04 2168.09

892.25 1302.25

1663.99

2140.73

437.52 1720.18

bearish deal carried out by a leading UK securities house. Dealers said BZW bought 3,500 puts, options giving the right but not the obligation to sell stock at a fixed price and time, expiring in March at 390p. BZW was not available

The out-of-the-money options, priced at 11p and 12p per share and representing 3.5m shares, was seen as representing protection against the stock falling over the next four months. National Power shares slipped 8 to 399p in the underlying market.
Futures trade was very quiet

after Tuesday's frenetic trading. The December contract on the Footsie opened up at 3,072 and hit a high of 3,086 in mid-morning. December ticked

all the way back to 3,062 by the afternoon but it clawed its way back to 3,070 by the official close, some four points above cash. Volume was a pitiful 7,670 contracts during official dealing.

cilt futures for December were the most active series with

3.99 32.79 30.55 1250.98 2.86 50.15 32.11 1433.08 1.23 60.00† 24.23 1420.76 3.69 33.35 105.60 1179.56 5.94 20.57 68.48 1227.61

12.12 1625.44 5.54 21.56 15.80 1238.57 # # 7.80 1496.43 4.06 34.21 19.41 1270.91 6.06 18.50 71.85 1073.05

6,06 19,50 71,85 1073,05 6,85 17,85 43,43 972,73 8,61 14,20 46,55 895,11 7,29 16,28 34,79 1022,79 10,79 11,51 81,47 758,93 8,80 17,12 103,85 843,71 5,92 21,27 53,05 1110,47 4,66 25,83 38,30 1212,30 5,20 23,23 22,41 1174,75 5,47 23,09 29,05 1151,10 5,55 22,68 22,30 1146,28 8,93 17,37 44,97 1197,89

		- 1/1		Charide	
•	ASDA Groupt	8,500	624	•1	
	Actory Metionalt Albert Fisher Alicel-Lyonst Anglan Water Argos	3,000	403	+1 +2	
	Albert Fisher	1,500 929 7,800	ØŢ.		
	Allied-Lyons†	62.0	576	+7	
	Angher West	7.800	536	1111	
	Argos	1,400	334	+1	
	Argus Group	2,800	262		
	Vila Middlest	1,300	232	+1	
	Argos Argos Group† Arjo Wiggins† Asso, Brit, Pons BAA† BAX†	512	292 500 480 924		
	RAAT	1 300	974	~	
	BAT Indu.†	1 200	485	-2	
	BET	1,300 1,700 2,300	12812	35	
	BICC	422	367	dat bat	
	BOCT	891	616	44444	
>	BPT	4,100	343	-45	
		1,900	267	+4	
	BT (P/Paid) BT (P/Paid) BTH;	A 3m2	454	-312	
	BT (P/Pald)	4.800 3.700 2.000	204	-132	
	BIR	3,700	344	-412	
•		2,000	186	-5	
	Barcinys† Sexs†	2,700	554	+0	
	Sassa 7	3,700	472	£41444454	
	Blue Circle†	4,400	317	+2	
	Booker	772	402	-1	
	Boost	1,000 1,100 1,700 3,300 8,500	520	-2	
	Bowater† Bot. Aerospace†	1,300	435	-3	
	British Alougust	7.700	414	-2	
	British Airways† British Gas†	8.500	324	42	
	HITETON'S SUBJECT	465	420	**	
	British Steel !	1,100	115	•••	
	Bunzi	665	130		
	Burman Caspot	322	727	335844	
	Burton	30,000	64	-2	
	Cable & Who,	3,400	468	46	
	Cadbury Schweppeet	583	445	-2	
	Calor Group	124	298	+1	
	Caradon† Carton Commet	961	333	41	
	Carton Comma.r	557 3,900	770	+1 .	
	Contra Viveling	633	260	+11	
	Cookson	96B	589 201	*11	
	Courander	1,500	428	4444	- 4
	Dalgety	245	461	13	- 1
	Do La Rue	727	784	72	
	Discons	2 100	265	3	. 13
	Eastern Elect.	2,500	589	-6 -13	
	Etent Michaeld Bleck	593	560	-16	
	Eng China, Clays	423	409	42	
	Enterorise Offi	1,000	45412	412	
	Eurotunnel Links	18D	442	+9	
	FKI .	430	181		
	Flacons	1,600	140	44	
	Foreign & Col. LT.	1,000	263 231 640 334 ¹ 2	紫	
	Forter	1,200	231		
	Gen. Accident	1,200	640	+1	-
	General Bect	1,000 1,200 1,200 4,200	33442	+112	
ш	Chancet les		305	-7	
ш	Connected Mile	1 600	445	-47	
	Grynwed Int. Granedat Grand Met.†	134 1,500 2,600	378	-1 <u>1</u>	- 1
	GUST	1,100	566	- 3	
	GRET	977	200	464	•
	GKN	1.500	480	2	
	GKN Guinness† NSBC 1750 shet†	1,500	433	-	
	NSBC (75g shelt)	2.800	733	+12	

5.73 21.84 87.79 1119.18 6.76 21.14 88.18 1240.48 6.18 19.85 80.40 1235.91 5.73 21.53 42.81 1144.29 3.82 35.02 39.85 1312.86 4.37 32.44 41.82 1297.87 5.62 22.06 41.91 1152.66

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("588) Guitaness ("452) GEC ("334)

LIFFE EQUITY OPTIONS Non Feb May Nov Feb May

| Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | Second | S Self Alrways 380 34% 44 57 10% 16 24% (413) 420 17% 28 35% 24% 30 33% 36 34% 48 15% 25% 31% 7597) 420 15 25% 35% 33 42 48% Books 500 34% 47% 56 9 16 26 (520) 550 3% 22 30 36% 43% 52 8P 330 24 30% 35% 7 12% 16 (7343) 360 6 15 21 22% 27% 31% British Steel 110 11% 15% 16 5 7% 10% (718) 129 6 10 14 6% 13 15% Bass 460 22% 28% 35 19 25% 52 (471) 500 6 13 16 50 52% 58

Contain Union 550 59 85% 73% 3% 11% 16 (1588) 600 22% 31% 43% 18 31% 35% 10 (1587) 661 25 - 25 - 2 (1584) 700 11 24 33 52 59 65% (**554*) 700 11 24 33 52 59 55%

Land Secur 700 35% 51 561% 12 19 31%
(**724*) 750 11 25% 33 40% 45 55%

Marko S S 320 25% 24% 30 6 12% 16
(**403*) 429 51% 18% 24 23% 27% 34

Mathwat 500 42 40 56 7 12 23%
(**529*) 550 137% 42 51 31 45 55%

Samplusy 390 16% 29 25 17 24% 32
(**30*) 420 6 17 22% 36 43% 51

Shoft Trans. 650 45 55% 65% 65% 66% 16% 21%
(**586*) 700 16 27 37 25% 41% 45%

Samplusy 180 21% 25 38% 31% 8 9
(**197*) 200 8 12 17 12 15 16%

Totalcor 90 7 11% 131% 55% 7% 105%

| Surelinous | 180 211 | 25 281 | 34 8 9 | C197 | 200 8 13 17 12 15 16 | Endinger | 200 7 11 | 131 | 55 | 77 10 | C30 1 | 100 3 7 | 8 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 12 | 14 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | 12 | 16 | Endinger | 1050 85 80 86 15 30 | 12 | Endinger | 1050 85 80 86 15 30 | 12 | Endinger | 1050 85 80 16 | 15 | Endinger | 1050 85 80 86 85 | 10 | Endinger | 1050 85 80 | 10 | 12 | 12 | 16 | Endinger | 1050 85 | 10 | Endinger
| SSO 40 44% SB% 1 9 14% | SB% 1 9 14% | SB% 1 19 1

TRADITIONAL OPTIONS

Nov. 22 Last Declarations Dec. 3 For settlement

LONDON EQUITIES RISES AND FALLS YESTERDAY

812 383

SSUB		Mikt.				Close					
price	paid	CSD	19			price		Net		Gra	P/E
P	up	(Dm.)	High	Low	Stock	р	-4	cDv.	COV.	yld	het
5140		46.9			Anacus	162		NF3.5	20	27	22.0
-	F.P.	44.5	94	88	Abtrust Erring Econ	269	+12		-	-	-
-	F.P.		52		Do Warrants	48		-	-	•	_
100			102	96	Abtrust LLoyds	98		-	-	-	-
-			40		Do Warrents	40		-	-	-	
170		200.5	187		Aliders	188		WN6.1	2.2	4.1	13,9
230			241		Azian	241		L3.6	2.8	1.6	28.7
100	F.P.	105.6	102	96	CLM Insce	98	-1	-	-	•	-
	F.P.	33.4	205		Canadian Pizza	194		W5.9	23	3.8	14.5
110	F.P.		110		Charles Sidney	103	+2	LN3.5	22	4.2	13.1
100		13.8	114		Cleveland Tat	111		uN5.26	0.8	5.8	21.7
-		4.8	20	10	Caal kovs	15		-	-	-	-
-	F.P.	53.6	142		Crest Packaging	134	-2	W3.65	21	3.4	17,1
260	F.P.	282,6	273	268	OFS Furniture	271		LB.4	2.1	3.0	20,0
100		50.8	102		Delian Lloyde Tst	9612 -	12	-	-	-	-
1	F.P.	4.0	13	14	#€merald Energy	112	_	-	-	-	-
-	F.P.	30.9	112	10112	Finsbury Underwit	103		-	-	-	-
-	F.P.	₹1.0	56	51	F& C Em Mts Wts	55		-	-	~	-
158	F.P.	336.6	171	166	Gartmore	167	-1	W4.0	20	3.0	20,6
100	F.P.	63.9	102	96	HCG Lioyds Tst	98	-1	-	-	-	_
100	F.P.	30.6	111		History Select from	102	-1	-	-	•	-
250	F.P.	58.5	251	246	Hozetock	246		YV5.0	22	3.0	17.5
225	F.P.	118.2	276	255	Independent Insce	270	-1	µ8.25	1.2	3.8	24.8
190	F.P.	51.0	208	191	Litho Spols.	193		PIB.5	28	4.2	14.9
-	F.P.	0.8	15	18	Lon Fin & key Was	1112		-	-	-	-
100	F.P.	277.2	102	99	London Insc Mike	96	-1	-	-	-	-
100	F.P.	41.3	102		Masthead insce.		112	-	-	-	-
	F.P.	56.1	97	93 ¹ 2	New London Cap	3312 -	12	-	-	-	-
230	F.P.	82.3	253		Rozboro	235	-2	NR1.9	5.7	1.0	18.5
	F.P.	25.3	141		Smaller Co's Tat C	141		-	-	-	-
	F.P.	61.2	102	102	Throg Prid Inc	102		-	•	•	-
§190		27.9	198		TOWNY Law	183		LN4.6	22	31	18.0
-	F.P.	24.7	111		Ugland Inti	103			•	•	-
		2111.0	339		Vandome Uts	302		WQ7.88	28	2,5	14.1
§170	F.P.	57.7	323		Virtuality Group	259	+3	-	•	-	-
	F.P.	15.6	4		Wiggins	312		-	-	•	-
	F.P.	47.0	98		Wigmore Prop.	94		-	•	•	-
-	F.P.	2.9	29	28	Do Warrants	29		-	-	-	-

RIGHTS OFFERS 14 Mi 111 Mi 314 Mi 100 Mi 44 Mi 85 Mi 485 Mi 485 Mi 152 Mi lapm Graystone flags fla

FINANCIAL TIMES EQUITY INDICES Nov 24 Nov 23 Nov 22 Nov 19 Nov 18 Yr ago "High "Lou 2329.9 2328.0 2328.2 2357.6 2371.4 2033.1 2414.2 2124.7

Open 9,00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2330.1 2326.4 2334.5 2334.8 2334.0 2329.8 2330.5 2331.1 2329.7 2336.1 2323.6 Nov 24 Nov 23 Nov 22 Nov 19 Nov 18 Yr ago 25,045 27,509 27,069 25,275 27,809 23,876 - 1681.5 925.2 1173.4 1552.5 1135.1 - 32,250 29,390 29,474 31,706 28,679 - 553.3 383.7 479.2 603.8 487.9

Open 9.00 10.00 11.00 12.00 18.00 14.00 15.00 16.10 Close Previous Change Construction 1840.2 1938.7 1943.1 1943.6 1844.6 1844.3 1944.1 1846.2 1946.2 1946.2 1946.2 1946.1 1846.8 1841.9 1055.0 1055.0 1055.0 1055.1 1052.1 1052.0 1049.5 1049.5 1049.2 1049.3 1056.1 1528.6 1529.2 1532.3 1532.6 1529.7 1527.4 1522.4 1525.2 1525.5 1527.0 1968.5 1968.5 1968.6 1974.2 1976.2 1977.1 1875.1 1876.6 1976.6 1879.2 1960.8 1961.8

ET-SE 100

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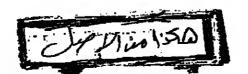
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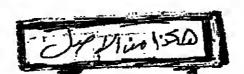
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CURRENCIES AND MONEY

POUND SPOT FORWARD

MARKETS REPORT Sterling extends gains

1.4875 1.4845 1.4801 1.4857

"The market has taken a more sanguine view that the

1994 budget will be passed,

said a London currency dealer,

who reported heavy institutional lira-buying against D-Marks, "Towards the L1,000

level there is significant sup-port from medium-term inves-tors who feel that, once the

political concerns have passed

after the elections, the lira will appreciate on the back of fun-

damental factors," he said.

The French franc also firmed slightly against tha D-Mark, boosted largely by technical buying after the D-Mark breached psychologically important support at FF73.4700. It closed at FF73.4788.

up from FFr3.471 on Tuesday.
However, the Bank of France
is not expected to take advantage of its currency's strength
to make rata cuts indepen-

dently of the Bundesbank. Instead, it should continue using franc strength to rebuild

tion numbers had little market

impact. The consumer price

cent. Economists are forecast-

Two more preliminary infla-

tion reports are due to be

released today by the states of

North Rhine-Westphalia, Ger-

5.297 2.828 3.237 1.122 2.702 0.114 1 2.561 1.380 2.261 1.380 2.2842 1.430 1.910 17.86 2.155

Est vol Open Int. 49,720 132,052 1,565 7,789

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384.0 205.0 234.6 61.96.8 8.230 72.49 187.1 78.69 100, 186.3 92.79 206.0 104.1 138.4 1280 156.2

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Change +0.0055 +0.0049 -0.0018 -0.0019

III THREE MONTH SUROMARK PUTURES (LIFFEY DM 1rt points of 100

0.02 0.05 0.08 0.08

PUTS Mar 0.02 0.03 0.05

Jan

Sett price 95.87 91.54 91.99 92.25

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Open 96.62 96.11 96.38

Dec

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damental factors," he said.

1.4856 1.4823 1.4780 1.4636

The currency markets had a quiet session as traders squared their books ahead of today's Thanksgiving holiday in the US and European opera-tors sat back to wait for next Tuesday's UK Budget and Thursday's Bundesbank meeting, writes Conner Middel-

• Sterling extended Tuesday's gains against the D-Mark by another pfennig but ran out of steam just below key resis-tance at DM2.54 and edged lower on moderate volume, closing at DM2.5325, up from DM2.5275 on Tuesday. Against the dollar it ended at \$1,4880, from \$1.4855 on Tuesday.

The pound's rise follows Tuesday's 1/2-point cut in UK base rates. While many market participants are calling for another X-point cut in coming months, the currency is widely expected to remain underpinned as the UK economy continues its gradual recovery and continental European central banks ease their interest rates more sharply than the UK.

"Many feel we're close to the trough for UK interest rates and the market is confident on lower European rates," said Mr Adrian Cunningham, senior currency economist at UBS. The resulting interest-rate differential will favour the

In the sterling money mar-ket, the Bank of England announced an early shortage of some £750m which was later revised downward to £650m. The Bank did not operate in the money market throughout the day but provided late assistance of £255m in the after-

Meanwhile, the Bank of England set a weekly rollover rate for its special money market facility at 5% per cent. Last week the weekly rollover rate was established at 5% per cent. The Italian lira recovered against the D-Mark after hit-

its currency reserves.

The first set of Germany's long-awaited November inflating a record low of L1,005 on Tuesday. It slid sharply followindex in the western German state of Hesse rose 0.3 per cent from October but the year-oning Sunday'a elections which prompted worries over the year rate slowed to 3.8 per country's political outlook and ing a year-on-year rate of around 3.7 per cent. its government's ability to pass the 1994 budget.

The lira rose to an intra-day high of L986.25 against the D-Mark and closed at L988.5, up from L994.5 on Tuesday.

EXCHANGE CROSS RATES BFr

Belgiam Denmark France Germany Ireland Itely Netherles Netway Portugal Spain Sweden Switzerle UK Cenada US

CROSS RATES AND DERIVATIVES

(E) 61.00 (L) 2.143

16.37 8.738 10 3.468 8.346 0.351 3.089 7.976 3.397 4.262 7.047 3.956 8.780 4.437 5.901 64.53

High 0.5879 0.5840

0.6710 0.6694 0.6680

7'5 7 6% 8% 5.78 5.83

3% 3% 3.23 3.17 4% 4

Est vol Open int.

80,720 82,750 48,590 33,507

1,877 1,312 526 576

96.49 96.39 96.10 95.80

18,73 10 11,45 3,969 9,653 0,402 3,536 9,128 3,668 4,827 10,06 5,078 6,754 7,619

Latest Change 0.5678 +0.0013 0.5839 +0.0011

0.6710 +0.0014 0.6684 +0.0006 0.6660 0.6677 +0.0012

34 3½ 34 34 2.99 3.12 2.99 3.08 44 4 44 44

EURO CURRENCY INTEREST RATES

93.52 94.27

0.02 0.04 0.06 0.06

WORLD INTEREST RATES

MONEY RATES

4.718 2.519 2.884 1 2.407 0.101 0.891 2.300 0.979 1.329 2.032 1.141 2.532 1.709 1.702 15.73

1.901 1.047 1.198 0.415 1 0.955 0.407 0.915 0.407 0.514 0.474 1.052 0.532 0.796

many's most populous state, and Baden-Wuerthamberg, the second-largest state. Bavaria's data are expected on Friday. The Bundesbenk's allocation of DM82bn of 14-day securities Acainst the DM (DM per 9).

or Daszon or 14-day securines repurchase agreements at a fixed 6.25 per cent bore faw suprises and left the rate for German overnight money trading little changed around 6.45 per cent. The central bank added DM12 the central bank added DM12.2bn in liquidity to replace the Paragraph 17 funds it had injected on Monday and rolled over on Tuesday.

Market operators are now looking to next week's round of repos and Thursday's central bank council meeting - the second to last before the end of the year. Despite Monday's higher-than-expected M8 money supply numbers many market participants are still speculating on another 50-ha-sis-point cut in Germany's offi-cial discount and Lombard rates at one of the two meetings on December 2 and 16.

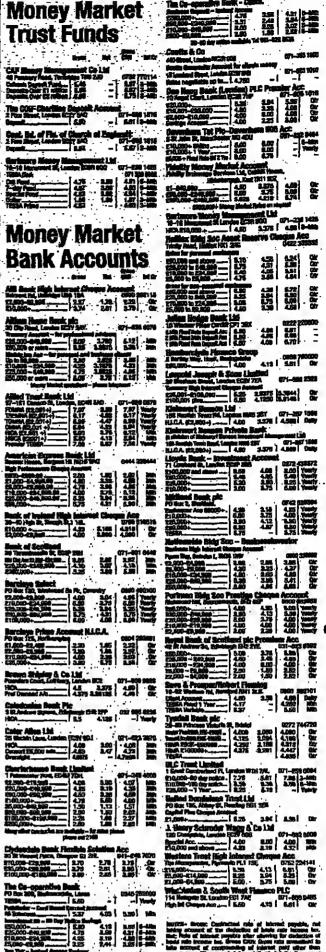
• The Canadian dollar came under pressure over fresh concerns regarding the country's

Nov 24		Closing mid-point	Change on day	Bid/offer apreed	Dey's high	Mid .	One mo		Three Ri		One y Pade		Benk of Eng. Inde
Europe										·· · ·		٠	
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Belolum	(BFI)	88.85	-0.08	800 - 700	63.86	55.55	53.78	-2.0	53.96		54,31	-1.2	. 112
Deamark	(DKY)	10.0526		047 - 057	10.0000	10.0475	10,0005	-33	10,124	-2.8	10.200		114
Finland	0740	8.8475		632 - 563	8.6550								76
France	(FF)	8.78		775 - 785		27700	8.7905	-14	8,8095		6.5245	_	107
Germany	ON			- 830 - 585		2,5275	2.5344						
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Americas						•							
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Brazi	(Cr)	396.32		310 - 330	387.000				_		: _	:	
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	Pesci	4.6196		818 - 628		4,5090	1,6190	1.4	12121	1.0	1.007.0	u.s	=0
		1.488		487 - 486		1.4856	1,486	~ 5	4 4000				
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Australia	(44)	2.24		239 - 241		2.2395	2.2386	. 0.8	2.2382	0.7	2.2331	0.3	
Hong Kong	(RCS)	11.5065		505 - 507	11.5446		11.4883	21	11.4547	1.8	11,3596	1.3	
india	(Fas)	48,875		650 - 700		48.60				-			
Jepen	(1)	161		500 - 500	161.75		160.585	3.1	159.74	3.1	158.05	3.1.	181:
Malaysia	0.43	3.5		799 - 800	3,8125	3.7925	-	-		-			
New Zeeland	(NZ3)	27145	+0.017	712 - 717	2,7200	2.7065	2.7154	-0.4	27162	-0.8	2,7226	-0.3	
Philipines	(Peec)	41.45	-0.175	400 - 500	41.75	41.40			_				1 21 .
Saucil Arabia	SFD	5.5866		565 - 568		5.5725			_			10.0	
Singspore	(88)	2.378		377 - 379	2.3870	2.5745	_				_		
Africe (Com.		5,0066		004 - 007		4.9990		-	_			5	
S Africe (Fin)	A	6.4896		482 - 477	6.5285			-					٠
South Kores	Moni	1203.15		050 - 250	1207.10			-		_	• • •	: <u>-</u>	
Talwan	(TS)	40.075		000 - 150	40.15	38.85		_		-	•		
Thelland		37.8		750 - 850	37.95	37.70		-	•	•			
CONTRACT OF	(34)	21.8	*******	/SU - 500	20,423	27.70	_	-	_			-	

med Nov	24		Closting	Change on day	Bid/offer spread	Dity's	iow .	Pate inc	MPA.	Three sec		One ye		klargen G*
defi- sure	00													•
ould Aust		(Schi	11.97	-0.0375	967 - 972	11,9700	11.9625	11,9967	-20	12,0457	-2.5	12,1656	-1.6	+16.66
		(BFr)	20,06		000 - 100	26.15		38.21		. 38.44	-4.8	37.025	-2.7	-1.14
and-		(DKs	5.756	-0.005	753 - 758	8,7675	5,7400	5,7876		6.887	-49	6.98	-30	+0.40
Paul Frie	nd	FM	5.8065	-0.0183	795 - 815	5.8175	5.7780	6.825	-40	5.8506	-31	5.918	-1.9	
Pro- France	20	(FFA)	5.9	-0.0078	898 - 903	5,9200	5.8625	5.9191	-39	5.9494	-34	6.015	-20	8.35
it in Gern	etty	(0)	1.7025	+0.0015	702 - 703	1,7065	1.6970	1,7072	-3.3	1.7147	-2.9	1.7801	-1.5	. +32.57
Gree		(Dr)	248.45		300 - 800		243,000	247.7	-20.9		-21,8		-19.5	
Irelar	d	- 00	1.4145		414 - 415		1.4050	1.4102		1.4044	2.0	1,5865	2.0	-
Was Hay		(1.)	1682		760 - 250		1677_00	1090.7		1708.5	-5.8	1761	-4.7	-37.99
	mbourg	(LFr)	86.05		000 - 100	36.18	35.95	36.215		35.44	-4.3	27.025	-2.7	·· -1.14
	eriands	6-10	1.81		810 - 811	1.9125		1.8146		1,8219	-25	1,9377	-1.5	+21.79
e it Norw		OWN	7.8875		396 - 400	7.4125		7.41	-20		-1.7	7,4895	-1.2	-17.74
TA PUPE		(Ea)	173.7		850 - 750	173.95		174.97		177.21	-8.3	185.05	-8.6	
. It spen		Pto	138.35		300 - 400	138,55		139,125		140.45	-8.1	145.025	-4.8	-33,06
rom Swe		(SKI)	8.3725		870 - 375	8.3925		6.4062		8.4565	-40	0.6100	-2.6	-38.85
	brains	(SFr)	1.4925		402 - 463	1.4955		1,4944		1.4967	-1.1	1.4957	-0.2	+23.63
ittle UK		•	1.488		487 - 488	1.4945		1.486	2.4	1.4B67	20	1.4006	1.4	-28.04
		-	1.126		128 - 123	1.1510	1.1255	1,1243	4.0	1.1184	3.4	1,1037	. 22	
		-	1.388	+0.004	-	-	-	-		-	-			
å Arne		G .												
redit Arge		(Pasa)	0.906		998 - 996		0.9970		-	-	-		-	-
A DEST		(0)	225.81		600 - 620		225.750							40.00
		(Cs)	1.3295	+0.0025	329 - 330		1.3320	1.3286		1,3272	0.7.	1,318	G.S	-10.93
	20 (Jee	w Pesc)	3.1010	+0,0017	000 - 000	7,1000	3,0990	5.1032	-0.7	3.1073	-0.7	5.1215	-0.6	-10.30
		e Seat/A	44 1		000 - 000				-	•	-	•	•	-10.30
Austr		(AS)	1,804	***	503 - 505	1.5076	1,5020	1,508	0.8	1,4983	1.3	1,4911	0.9	-47.38
	Kong	0-200	7.725		725 - 726		7,7230	7.7206		7.727	-0.1	7.7355	-01	7.30
sing inde	Kong	(Flat	31.385		382 - 388	31,3600		81.44		31.83	-84	7,7000	-41	
		(1)	108.15		100 - 200	107.00		108.005	0.6	107.836	1.2	106,355	1.7	+121.53
. GZ		(845)	2.561		860 - 552	2.5525		2.5567	-27	2.569	-2.8	2.611	-24	TIE 1.00
	Zentery	0/228	1.8225		821 - 824		1.8200	1,8218	0.5	1,8192	0.7	1.8118	-08	
PHIL		Pesci	27.9		850 - 950	28.25	27.75	1.02 18	0.5	1.0182	4,	1.0110	· mo	_
	Anabia		5.7505		750 - 751	3.7515		3.78	-50	5.7756	-2.7	3,7915		: ~
		(SR)	1.5065		596 - 597	1,6990		1.5645	1.5	1.5035	0.8	1.5918	0.8	-
			3.3705		363 - 372	3.3725		3.3885		8.418	-6.6			
	ca (Com ca (Fin.)	1 64	4.3435		339 - 348	43775		4.3755		4.4875	-8.7	3.8300		-
3 /4	Koree	(Wan)	807.75		700 - 800	808.00		810.75		814.25	-32	832.75		
					850 - 950	26.96	26.80	26.965			-35	032.10	-8.1	-
O OR Tahe		(12)	26.0		350 - 450					27.106		25.71		-
UWII		(Bi)	25.4			25,45	25.30	25,408			-0.7			-

	(Misra) (73) (EH) Se in the t pates, Mis	807.77 26.1 25.4 Outler Spot organ Gluss	table show o	850 - 950 350 - 450 and the less three	808.00 807.40 26.96 26.80 25,45 25.30 a decimal places. 1, Burn merage 1	26.965 -2 25.406 -0 Forward rates use	9 27.106 4 25.4415	-9.0	32.75 -8.1 25.71 -1.2 market but	
	-	-		EMS E	UROPEAN	CURREN	CY UN	T BATT	58	
C \$		Y	Edu	Nov 24	Ecu con.	Pade	Change		n - % apre	
688	2,774		2.459	Netherland	2.19572	2,15642	on day +0.00365	cen. nete		
969 254	1.481			Germany	1,94964	1,92160	+0.00321	-1.63 -1.44	4.48	
782 861	0,588			freistrick Stockt	0.808828	0.799111 166.875	-0.001214 +0.673	-1,18 1.05	1.49	
179	0.009	6.432	0.063	Belgium	40,2123	40.6808	-0.0091	1,17	1,38	-8
97	1,351			Portogal Prance	192,854	195.991 5.85148	+0.408	1.83	0.92	
86	0.576	82.26	0.510	Dergtoork	7.49678	7.82709	+0.00746	2.58	0.00	
61 88	0.722			NON EDIA	MEMBERS					
191	0.670	72.52	0,594	Grados	264.513	278.122	+0.841	4,38	-1.75	
975) 1	1,488			Traily LIK	1793,19	0,758252	-18.8 -0.002038	-3.62	-3.08 6.41	-
30	1	108.2	0.886	Ecu pertrai :	me set by the Sur	opera Commissio	n. Currencies	per le descer	cing minths	derigin.
.29 (00	8.242		a 195	Percuritage of	turges are for Ec.	becompared opposite	uce pojment in countries & A	the strengt	riest and Eco	prove the
				Ecu commit	A' and the transport	of beautiful bace	unde davide	AL OF LIPS CALL	UDA A UMANE	mile from R
10	0				ring and Rober Lie	C. Trible Print				ncial Jilmen
_		Est. vol	Open Int.		MELPHAL SE C		11,250 (oen)	ber bonne		<u>.</u>
a.	DDS6	34,980	72,488	Sarios Price	Dec	- CALLS	Feb	Dec	Jen .	Feb
0.	9290	2,745	9,825 257	1.425	6.40	8.63	6.98	0.08	0.38	0.90
	-	2	39	1.450	4.00	4.59	5.18	0.12	0.85	1.56
				1,476	1.99 0.65	1.75	3.83 2.47	1.69	1.68 ·	2.51 3.74
1	4828	18,751	32,994	1.650	0.06	0.94	1,59	3.56 5.91	4.57 8.54	5.33 7.18
1.	6770	1,380	3,220	Provious day						
		313	127		TEREST F		v. our v opez	P. C. T.	i, iau rum au	o,cir
1	DW .	of 100% Est. vol	Open int.	UK IN	HERESTER IN MONEY	ATES	One	Three	Stx .	, One
8		of 100%	Open Int. 189320	LONDO Nov 24	MERESTER	RATES TO T days To notice	One month	Three months	Six months	One year
200	DW 1.86 1.64	of 100% Est. vol 20196 23001 10496	Open int. 189320 188427 119796	UK IN LONDO Nov 24 Interberk S Sterling CD	N MONEY Or	RATES TO T days	One month 8,2 - 5,2 53 - 5,3	Three months	Stx .	, One
2000	DW 1.86 1.64 1.08	of 100% Est. vol 20196 23001 10496 7059	Open Int. 189320 188427	LONDO Nov 24 Interter's Sterling CD Treasury St	N MONEY Or	RATES TO T days To notice	One month 8 12 - 5 13 - 5 13 - 5 14 -	Three months 53: - 54: 55: - 54: 5 - 47:	Six months 5½ - 5½ 5½ - 5½	One year
188888	PW 1.86 1.86 1.08 1.35 FE) L100	of 100% Est. vol 20196 23001 10496 7059	Open int. 189320 158427 119785 98434	LONDO Nov 24 Interteric S Sterling CO Treasury Ste Local autho	N MONEY Or no terling 7- b	ATES FATES TO THE TEST TO TH	One month 8½ - 6½ 5½ - 5½ 6½ - 55 53 - 54	Three months	Str months 5½ - 5½	One year
1 200000	0W 1.86 1.64 1.09 1.35 FE) L100	of 100% Est. vol 20106 23001 10438 7089 Dom points 5st. vol 8408	Open int. 189320 158427 119798 98434 of 100% Open int. 38826	LONDO Nov 24 Interteric S Sterling CO Treasury Ste Local autho	N MONEY OF	ATES FATES FAT	One month 8½ - 6½ 5½ - 5½ 6½ - 55 53 - 54	Three months 5% - 5% - 5% - 5% 55 - 5% 55 - 5% 55 - 5%	Star months 54 - 54 53 - 54 54 - 54	One year 5% - 5% 5% - 5%
1 28.88.88	DW 1.56 1.54 1.09 1.35 FE) L100 DW 1.80	of 100% Est. vol 20196 23001 10438 7089 Dim point 5st. vol 8406 6285	Open Int. 189320 156427 119785 98434 of 100% Open Int. 38926 39122	LONDO Nov 24 Interberk S Sterling CD Treasury 88 Local autho Discount m	N MONEY Or no terling 7- b	ATES *** 7 days *** 7 days *** 1 moses *** 5% - 5% *** 5% - 5% *** 5% - 5%	One month 8½ - 6½ 5½ - 5½ 5¼ - 5½ 5½ - 5½	Three months 5% - 5% - 5% - 5% 5 - 4% 5% - 5% 5% - 5%	Str manths 5½ - 5½ 5½ - 5½ 5½ - 5½	One year 5% - 5% 5% - 5%
1 20000	DW 1.86 1.64 1.08 1.35 FE) L100 DW 1.80 1.80 1.80	of 100% Est. vol 20198 230071 10439 7089 10m point Est. vol 8408 6238 1784 1919	Open int. 189320 188427 119798 98434 of 100% Open int. 38926 39122 21850 14476	LONDO Nov 24 Interberk S Sterling CD Treasury 88 Local autho Discount m	N MONEY Over the state of the s	FATES FRATES FRATES 10 days 10 color 14, 52 - 54 54 54 54 - 54 10 parts 10 parts 10 parts 10 parts	One month 5½ - 5½ - 5½ 5½ - 5½ 5½ - 5½ 5½ - 5½ 5½ - 5½ 5½ - 5½ 1-3	Three months 552 - 54, 54, 54 - 54, 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54, 54 - 54,	50x maritim 54 - 54 53 - 54 54 - 54 1985	One year 54 - 54 54 - 54 54 - 54 - 54 - 54 - 54
1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	000 000 000 000 000 000 000 000 000 00	of 100% Est. vol 20106 23001 10438 7089 50m point Est. vol 8408 6295 1784	Open int. 189320 188427 119798 98434 of 100% Open int. 38926 39122 21850 14476	LONDO Nov 24 Interter's Sterling CD Treasury 88 Local autho Discount me UK clearing	N MONEY Over the state of the	7 days 7 days 7 days 14 57 - 54 54 56 - 54 9 rate 512 per or 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 1	One mores \$\frac{1}{2} - 5\frac{1}{2} - 5\frac{1}	Three months 5% - 5% - 5% - 5% - 5% - 5% - 5% - 5%	Str months 54 - 54 54 - 54 54 - 54 54 - 64 1925 64 64 64	One year 5% - 5% - 5% 5% - 5% 1-2 months
1 3 3 3 3 5 1 1 2 3 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	DW 1.86 1.86 1.86 1.35 FE) L100 DW 1.80 2.80 2.80 2.80 2.80 2.80 2.80 2.80 2	ef 100% Est. vol 23007 10438 7089 554. vol 8408 6295 1784 1919 m points Est. vol	Open int. 189320 188427 119798 98434 a of 100% Open int. 38929 21850 14470 of 100% Open int.	LONDO Nov 24 Interter's Sterling CD Treasury 88 Local autho Discount me UK clearing	N MONEY Over the state of the	7 days 7 days 7 days 14 57 - 54 54 56 - 54 9 rate 512 per or 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 1	One mores \$\frac{1}{2} - 5\frac{1}{2} - 5\frac{1}	Three months 5% - 5% - 5% - 5% - 5% - 5% - 5% - 5%	Str months 54 - 54 54 - 54 54 - 54 54 - 64 1925 64 64 64	One year 5% - 5% - 5% 5% - 5% 1-2 months
1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	DW 1.05 1.05 1.05 1.05 1.05 1.05 1.00 1.00	of 100% Est. vol 20106 23001 10438 7089 IOm points 5st. vol 8408 6236 1774 1919 m points 1819 4845 4845	Open int. 188320 188420 119785 98434 a of 10076 Open int. 38929 39122 21850 14478 of 10076 Open int. 25721 21393	LONDO Nov 24 Interter's Sterling CD Treasury 88 Local autho Discount me UK clearing	N MONEY Over the state of the	7 days 7 days 7 days 14 57 - 54 54 56 - 54 9 rate 512 per or 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 1	One mores \$\frac{1}{2} - 5\frac{1}{2} - 5\frac{1}	Three months 5% - 5% - 5% - 5% - 5% - 5% - 5% - 5%	Str months 54 - 54 54 - 54 54 - 54 54 - 64 1925 64 64 64	One year 5% - 5% - 5% 5% - 5% 1-2 months
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UF STATES	DW 1.36 1.64 1.08 1.35 FF3 L100 DW 1.80 1.45 1.80 1.11 1.36 0f 180%	of 100% Est. vol 20196 230071 10439 7089 IOm points Est. vol 4545 4515 403 0 Est. vol	Open int. 188320 188420 119795 98434 of 10076 Open int. 38929 39122 21850 14476 of 10076 Open int. 25721 7033 3273 Open int.	LONDO Nov 24 Interteric S Stering CD Treasury SS Series Gile Local autho Discount m UK clearing Carts of Tax Ave. tender 1963. Agreed period Cct 1, 1, 1963. Agreed period Cct 1, 1, 1963. Agreed period Cct 1, 1, 1963. Agreed	M MONEY On no not not not not not not not not not	7 days 14, 57s - 54s 57s -	One month \$\frac{1}{2} \cdot 5\frac{1}{2} \cdot 5	Three months 5½ - 5½ - 5½ - 5½ - 5½ - 5½ - 5½ - 5½	Str months 5½ - 5½ 5½ - 5½ 5½ - 5½ 5½ - 5½ 5½ - 5½ 1965 6-0 months 3½ Make up day Description Burn Rules is sta of 100% Est. vol	One year 54 - 54 - 54 - 54 - 54 - 54 - 54 - 54
	PW 1.86 1.60 1.00 1.00 1.00 1.00 1.00 1.00 1.0	of 100% Est. vol 20106 23007 10438 7089 Dm points 1784 1919 m points 4845 4315 403 0	Open int. 189320 188427 119798 98434 9 of 100% Open int. 28721 21850 of 100% Open int. 21390 3273 Open int. 15408	LONDO Nov 24 Interteric Sistering Co. Treasury St. Starting Co. Treasury St. Cost affice. UK clearing UK clearing Corts of Tax. Ave. tender n 1965. Agreed Oct 1, 1, 1963 E THERES.	M MONEY Over the second of th	FATES FRATES FOR TO CONTROL	One month S ₄ - S ₄ - S ₅ S ₅ - S ₅	Three months 5% - 6% - 6% - 6% - 6% - 6% - 6% - 5% - 6% - 5% - 6% - 6	Str months 54 - 54 55 - 55 56 - 64 1983 6-8 months 34 Males up day 7,00c. Retent 5 me day 6 months 24 55 cm 100% Est. vol 100% Est. vol 27502	Orns year 5% - 5% 5% - 5% 5% - 5% 1-12 months 3% October 29 mos state to per from No.
1 2 2 2 2 1 1 2 2 2 2 2 2 2 2 2 2 2 2 2	PW 1866 1.54 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	of 100% Est. vol 20106 23007 10436 7059 Dom points 5st. vol 8408 6235 1784 4515 0 Est. vol 1846 988 139	Open int. 188320 188421 119798 96434 9 of 10076 Open int. 26721 21989 7033 3273 Open int. 15406 10106	LONDO Nov 24 Interbenk S Sterling CO Treesury St Bank Sile. Local author Discount me UK clearing Carts of Tax Avea, tender n 1993. Agreed Oct 1, 1, 1993 at THERESE	M MONEY Over the control of the con	FATES FATES 7 days 17 days 18 notice 41 52 - 54 51 51 - 51 51 51 - 51 19 notice 10 p to 1 month 11 10 in 24,500. Deposite 29 1, 1900 to Dev 29 1, 1900 to Dev 29 1, 1900 to Dev 180 6 Change 81 80 81 80 80 80 80 80 80 80	One mores 81 - 62 531 - 53 54 - 54 55 - 54 55 - 54 57 - 58 1-3 mores 1-3 mores 20, 1982, B. 20, 1983, B. 8 (LIFFE) E. 94.83 94.83	Three months 5% - 5% - 5% - 5% - 5% - 5% - 5% - 5%	Str. months 54 - 54 - 54 - 54 - 54 - 54 - 54 - 54	One year 513 - 513 - 514 - 52
1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	DW 1.86 1.85 1.85 PEL 1.100 PW 1.80 A.8 1.20 PEL 1.11 1.11 1.28 PEL 1.100 PW 1.11 1.28 PEL 1.100 PW 1.11 1.28 PEL 1.100 PW 1.11 1.28 PEL 1.11	of 100% Est. vol 20126 230071 10436 7089 10m point 5st. vol 1764 1919 m points 1819 403 0 1846 1846 1846 1846 1846 1846 1846 1846	Open Int. 189320 188424 119798 98454 of 10076 Open Int. 39922 21850 14478 of 10076 Open Int. 25721 21390 7033 3273 Open Int. 15406 10166	LONDO Nov 24 Interberic Si Sterling CD Treasury Si Sterling CD Treasury Si Costs of Tex Costs of Tex Costs of Tex Avea, bander in 1963, Agreed period Cet 1, 1, 1993 III THIPRES Doc Mar Jun Sep	M MONEY Over the part of the	FATES Tr drys Tr dr	One month 84 - 54 - 54 - 54 - 54 - 54 - 54 - 54 -	Three months 5% - 5% - 5% - 5% - 5% - 5% - 5% - 5%	Str months 5½ - 5½ 5½ - 5½ 5½ - 5½ 5½ - 5½ 1925 6-9 months 3½ Marke up day 7,050c. Releas Bean Race 9 £s of 100% Est. vol 27502 27109	One year 5½ - 5½ 5½ - 5½ 5½ - 5½ 9-12 months sale to perform No
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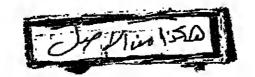
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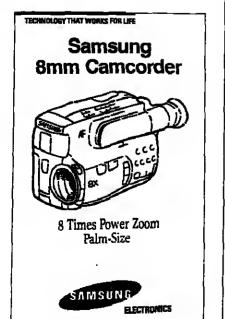
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Economic data give gentle support to Dow

Wall Street

US share prices firmed slightly across the board yesterday morning, but trading was subdued ahead of the Thanksgiving holiday break, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was 12.29 firmer at 3,686.46. The more broadly based Standard & Poor's 500 was up 1.61 at 462.64,

Brazilian equities rose by 5.8 per cent in moderate midseson trade on continued "safehaven" buying, ahead of possible anti-inflation measures and a drop in interest rates. The Bovespa index was quoted at 27,343, up 1,504, at 1300 local time. Newspaper reports saying that the government had issued a decree almed at limiting legal objections to future government measures. for example on tax reforms, also provided support.

while the Amex composite was up 0.67 at 461.71, and the Nasag composite up 5.60 at 752.34. Trading volume on the NYSE was 142m shares by 1 pm.

As on Tuesdey, prices opened firmer yesterday following early gains in bond prices. By early afternoon the

ased to 6.3 per cent. Bonds have rallied strongly over the past two days, which has helped alleviate the concerns of equity investors. With interest rate worries temporarily sbelved, share prices have been able to post modest

Although the day's economic news was mixed, it was positive for equities on balance. Government reports on weekly unemployment insurance claims and October durable goods orders were both moderstely bullish, and sustained the recent pattern of statistics revealing a steadily expanding

On the debit side, the University of Michigan's consumer sentiment index fell in November. This, however, did not surprise investors. Over the past year, one of the features of the economic situation has been consistently weak consumer sentiment

While there was some steady buying, trading activity throughout the morning and early afternoon was relatively snbdued, with many participants winding down their activities as they prepared to leave for the long Thanksgiving weekend.

Among individual stocks. technology etocks were in favour. Hewlett-Packard put on \$1% at \$73%. IBM (which benefited from a ratings upgrade by the broking house, Smith Bar-ney Shearson) added \$2 at \$55%, Digital Equipment firmed \$% at \$36%, Compaq rose \$1% to \$70 and Texas

Instruments added \$1 at \$85%. Philip Morris rose \$% to \$55% as investors reacted positively to the news that the big food and tobacco group is planning a significant corporats restructuring that will involve s large number of plant closures and workforce reductions. The restructuring, plus

Phillip Morris to take a charge of \$952m m the fourth quarter. Auto stocks, hit by selling earlier in the week, rebounded Chrysler rose \$1% to \$53%, Ford \$1 at \$60% and General

accounting changes, will force

On the Nasdaq market, heavy demand for technology stocks continued to power a rally in the Nasdaq compos Microsoft rose \$2 to \$79%, Intel firmed \$1% at \$60% and Dell Computer rose \$1/4 to \$241/4.

Toronto shrugged off concerns over Ontario's debt ratings and reports that the 1993-94 federal budget deficit may hit a record C\$45bn and gains were posted in most sectors. The TSE 300 index rose by 13.00 to 4,228.26

Foreign investor caution follows NZ polls shock

Terry Hall on a suddenly listless equity market

market is taking its time to recover from s severe blow received following this month's general elections. Inspired by opinion polls, it bad heen expecting the National Party to win handsomely on November 6. The polis had also been predicting a possible continuation of the Westminster style first past the post (FPP) voting system. Busismen whose identities are still secret had invested millions in a massive advertising campsign which had warned everyone of the dangers of

abandoning FPP. After the election, the initial reaction was that the business community had got the worst of all outcomes. Not only had voters overwhelmingly endorsed the German mixed overwhelmingly member proportional (MMP) system, but it seemed as if a minority National government would have to rely on the left wing Alliance Party to govern, The NZSE-40 index, which

had hit a four-year high of 2,203.09 three days before the election, dropped 7.6 per cent to 2,009.89 in the week following the poil, as interest rates soared and the exchange rate

Ten days later a recount gave National a narrow, oneseat parliamentary majority, but the subsequent rebound in equities was then worn away. partly by weaker offshore markets and some selling by international investors. Yesterday the index staged a minor rally,

A key reason for the listless trading has been Prime Minister Jim Bolger's refusal to conreformist finance minister. Ms Ruth Richardson, would be reappointed, or whether ber job will be given to the moderate. Mr Wyatt Creech, who is

FT-ACTUARIES WORLD INDICES

The New Zealand stock more acceptable to opposition parties in the perilously bal-

anced parliamen The new cabinet is expected to be announced tomorrow, or on Monday. The business community is divided over how vital Ms Richardson'e reappointment will be. It is believed that the new political

Indices rebased NZSE 40 India

any scope for further reforms. However, it is accepted that Ms Richardson is wanted as finance minister by overseas investors. Mr Nigel Hale, the Asian investment director of UK based Invesco, got beadlines in the press yesterday by saying that his company would have "to look at its investments in New Zealand" if Ms Ricbardson was not reap-pointed. He said that his fund was full of admiration for what had been achieved by the New

Zealand reforms. The domestic and international uncertainties are tending to obscure positive eco-nomic news. Mr Bolger's recent series of meetings with US President Bill Clinton marked an important break-through in the eight-year rupture in relations between the two countries over New Zealand's anti-nuclear sbips

issue, and the meetings are seen as healing the political

> Exporters say this will help trade with a key export partner. The latest trade figures, released yesterday, showed s further improvement; the inflation outlook remains low, business confidence is high and statistics show a growth in employment. GDP growth is running at its highest level

Most analysts are predicting that corporate profitability, which improved markedly this year, will continue to improve, helped by minimal growth in wages and inflation, and by rising confidence. Most export commodity prices are high, especially sheep meat and

In the short term the market expected to be wary of changing sentiment towards equities abroad, especially on Vall Street following substantial US investment in New Zea-An estimated 35 per cent of the market is now held by US investors, and their ettitude to New Zealand recovery is seen as crucial.

roadly there is confidence that the market is stable at current levels, given the Reserve Bank Act's removal of the setting of monetary policy from politicians, and the outlook for improving corporate profits. New Zealand would be a principal beneficiary from any resolution of

the GATT round Mr Kevyn Rendell of CS First Boston says that the market may mark time until early next year - when the next round of corporate results are expected to confirm the continuing improvement in business and economic fundamentals which is believed to be

Paris suspends Euro Disney three times

In spite of Wall Street's the company's longer term morning gains, bourses tended attractions. to close yesterday less hopefully than they began, writes

Our Markets Staff. PARIS was boosted initially by buying on the first day of the monthly account, and by firmer bond futures; but the CAC-40 slipped into negative territory at the close of trading, ending 0.86 lower at 2,070.61 on profit-taking and growing concerns about last-

Turnover was FFr4.3bn. Euro Disney hit the headlines again, suspended limit down three times during the day before closing FFr6.20, or 18.6 per cent lower at FFr27.20 in volume of nearly 1m shares as the company waited for its banks and its US perent, the Walt Disney Co, to put a restructuring peckage

minute GATT negotiations.

However, one of Tuesday's casualties, Elf Aquitaine, steadied with a fall of just FFr1.10 to FFr415.60 after a 3.5 per cent drop on a profits New York, a Prudential Securi-ties analyst upgraded the oil company to buy from hold on

Among the winners, Société Générale rose FFr16 to FFr681 after the bank's chairman, Mr Marc Vienot, said that he expected 1993 net profit to rise between 5 and 10 per cent. MILAN rebounded after the

cumulative 5.9 per cent fall of the previous two sessions as the prime minister, Mr Carlo Azeglio Ciampi, sought to calm the political situation by meeting the political parties that have given active and tacit support in parliament. The Comit index rose 13.88

or 2.7 per cent to 526.27. Mr Michele Pacitti of Nat-West Securities commented that foreign investors were again viewing the market with a little more equanimity, although the situation remained fragile. Telecommunications issues sold heavily by foreign inves-

up some of the lost ground. Sip added 147 to 12,966 and Stet rose 121 to 13,471. Olivetti climbed L204 or 12.2

tors early in the week, made

per cent to L1,780: news that the list of bidders for Italy's

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licence would be announced by losses they sustained earlier in December 15 brought renewed speculation that Olivetti could in the lucrative contract.

FRANKFURT had the will to recover but it was unable to sustain it, and the DAX index closed just 2.14 higher at 2,029.55 after an intraday high of 2.045.66 on short covering. Turnover fell from DM9.2bn to DM7.8bn. Hesse, the first of four western German states to report inflation data, said thatconsumer prices rose by 0.3 per cent in November, the same rate as in October, but slowed to 3.8 per cent for the year from 3.9 per cent; but this news was not striking enough to

boost the broad market. At sector level, carmakers and automotive components suppliers regained some of the the week, with Daimler up DM8.30 to DM704.80 and Varta, the battery maker, DM7.50 higher at DM334.50. Volkswagen, meanwhile, rose DM7.50 to DM402.50 after compromise

seemed possible in the negotia-

tions over a four-day week at

ZURICH ended a volatile day firmer, the SMI index adding 15.7 to 2.717.8.

Nestlé finished SFr9 higher at SFr1,179 with its 10 month figures at the low end of some expectations. The bearers rose to s day's high of SFr1,186 in immediate response to higher group sales, but slipped back when details of net debt raised the spectre of a rights issue. Nestlé said that it was not planning any capital increase

might issue a bond, perhaps

with an equity content.

AMSTERDAM edged lower, the CBS Tendency index slipping 0.1 to 1835, with activity restrained ahead of today's US

holiday.

KLM, 60 cents higher at F138.10, continued to recoup some of the losses which followed the collapse of the Alcazar talks. KNP BT, the paper and packaging group, dipped 30 cents to FI 40.20 ahead of its announcement of a FI9m third

quarter loss. MADRID blamed foreign investor sales as the general index fell another 2.85 to 294.51. Banks were particularly weak, Santander leading the way down with a fall of Pta240,

or 3.6 per cent to Pta6,460. BRUSSRIS closed easier as strikes in six of the nine Belgian provinces kept volume low, and foreign investors cautious. The Bel-20 finished 3.17 lower at 1,384.09, with e general strike planned for tomorausterity measures.

Written and edited by William

Nikkei falls 1.8% as Hong Kong halts slide

Tokyo

Arbitrage-linked selling and margin unwinding depressed share prices, and the Nikkei average fell 1.8 per cent to a nine-month low, torites Emilio Terazono in Takuo.

The Nikkei 225 lost 317.73 at 17,067.11, after setting a day's high of 17,544.85 in the morn-ing and a low in the afternoon of 16,993.90. The Topix index of all first section stocks shed 27.79, or 1.9 per cent, to 1.486.04 in London, later, Mr Nicholas Knight, the Nomura strategist, re-examined his worst case scenario for the Nikkei and revised it down to

12,000. Equities gained ground in early trading on a rise in the futures market. However, as futures prices lost steam, profit-taking, arbitrage selling and margin unwinding overwhelmed buying by life assurers and tokkin, or specified

money trusts. Traders said life insurers were trying to support the Nikkel above the 17,000 level to sustain their unrealised profits on shareholdings. Meanwhile, corporate investors unloaded stocks to establish profits before share prices fell further. Volume came to 270m

shares, against 284m. Declines led rises by 872 to 158, with 130 issues unchanged. In London, however, the ISE/Nikkei 50 index put on 3.15 at 1,186.62. Y4,000 to Y436,000 and Nippon Telegraph and Telephone Y15,000 to Y730,000. Foreign investors sold automobile stocks, and Toyota Motor receded Y30 to Y1,740 and Honda Motor Y70 to Y1,310.

High-technology issues also lost ground, Sony weakening Y100 to Y4,650, Hitachi Y17 to Y773 and NEC Y38 to Y822. Financials were lower on arbitrage selling linked to the Topix index. Full Bank dropped Y110 to Y2,120 and

Sumitomo Bank Y130 to Y2,170.

SOUTH AFRICA

Johanneshurg tumbled in the process of squaring positions ahead of US Thanksgiving. The golds index fell 75, or 3.9 per cent, to 1,869, industrials 17 to 4,851 and the overall index 48 to 4,176.

Gas companies, which after the weakness of the previ-reported firm earnings after ous two sessions. lower fuel costs, thanks to the stronger yen, were among the day's few gainers. Tokyo Gas, which saw its interim pre-tax profits surge by more than 200 per cent, added Y4 at Y470. Steels rallied after recent heavy selling. Kawasaki Steel

put on Y4 at Y317. Hohsmi, a fishing concern, climbed Y80 to Y490 on rumours of s speculative buy recommendation from an

unknown source. In Osaka, the OSE everage declined for the third day in e row, falling 298.19 to 19,183.26 in volume of 19.7m shares. Nintendo, the video game maker, lost Y400 to Y6,500.

Roundup

A firmer tone emerged in many Pacific Rim markets

HONG KONG saw a halt to its six-day losing streak as the markst closed 2.2 per cent higher, buoyed by moderate bargain hunting and futures linked demand as concern

eased over the outlook for US interest rates. The Hang Seng index gained 202.04 at 9,238.06. Hutchison Whampon surged HK\$2.50, or 8.33 per cent, to HK\$32.50 amid speculation that the company is planning a convertible bond issue.

AUSTRALIA was supported. by bargain hunting, after Tuesday'e falls, and an improving futures market and the All Ordinaries index improved 22.8 to 2,032.4 in A\$421.9m turnover. Boral's manufacturing arm, Azon, made its debut at a 12cent premium to its A\$2.00 issue price. It ended at A\$2.15.

SEOUL saw waves of strong

buying focused on highly capi-talised stocks swamp profittaking in asset situatio ing the composite index forward 11.08 to 828.98. BANGKOK staged e decisive

rebound, spurred by active buying by mutual funds. The market index closed 16.43 higher at 1,321.67 in turnover Bt12.7bn. SINGAPORE edged ahead, the Straits Times Industrial index firming 4.10 to 2,080.79 and paring Tuesday's

TAIWAN finished lower on a late wave of selling triggered by news that Hsu Li-nung, a leading member of the ruling Nationalist Party, was defecting to the New Party ahead of Saturday's local government

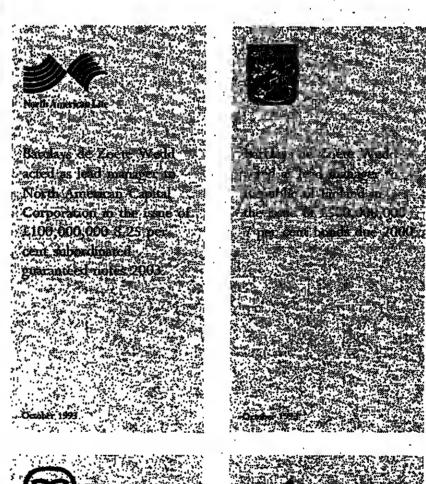
elections. The weighted index moved narrowly for most of the session but closed 44.87 down at 4,189.88, off a low of 4,177.31.

MANILA was mixed, with profit-takers dominating early trade and bargain hunters coming in during the last hour. The composite index ended 16.40 off at 2,372.40. KUALA LUMPUR improved

after two days of losses, the composite index gaining 3.42 at SHANGHAI's China B shares

were hit by profit-taking, while SHENZHEN Bs stsged a rebound. The Standard Chartered Securities Sbanghai B-share index was 2.76, or 3.7 per cent, lower at 71.23, while the SC Securities Shenzhen B-share index added 1.81, or 2.2 per cent; at 82.71 after the 6.2 per cent decline of the previous

KARACHI closed lower on a correction that took the KSE index 10.99 down to 1,704.93 after the sharp rise of the previous month.





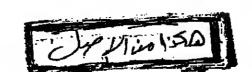
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s winter sets in, Turkey skates uneasily on a rink of dangerously thin ice. While industry reports record profits and the stock exchange reaches new heights, the politicians in Ankara give the impression of lurching

from one dilemma to the next.

unable to offer solutions or

even dictate their own agenda.

Turkey faces a looming crisis. The coalition government of Mrs Tansu Ciller is faced with a growing public deficit, a deterioration in the balance of payments and rising foreign deht. Already Moody's, the US rating agency, has said It is considering a downgrading, which could impair Turkey's access to the debt markets.

It seems only a matter of time hefore the escalating violence in the Kurdishspeaking region starts to impinge on the investment decisions of foreign companies in western Turkey. Mohil Oil of the US pulled out of the Kurdish area in September. All public works have heen suspended after allegations that Kurdish rehels are demanding protection money from contractors. While the government refuses to countenance political and social reform for this bard-pressed minority, the violence can only get worse.

The next few months could well prove decisive as the campaign train rumhles into action abead of municipal elections across the country in

The solitary comfort in this otherwise rather gloomy picture is that the economy continues to howl along. Growth for 1993 is set to exceed last year's 6 per cent figure, after a staggering second quarter which saw the gross national product increase by 12 per cent. Indeed, while the rest of Europe pulls wearily out of recession, Turkey is enjoying a consumer hoom, fuelled by looser domestic credit and increased foreign capital inflows. But if this heady cocktail is attractive today, the after-effects are not likely to be so pleasant.

eastern Europe, McKlnsey. the EU is today a distant

Against such a background. Prospect. But both sides of the

Though the economy continues to bowl along, the public deficit is growing and the balance of payments is deteriorating. Meanwhile, Turkey is preparing for the challenge of customs union with the European Community in

1995. John Murray Brown reports

negotiatiag table appear

resolved to deepen the relationship. Turkey is fearful

that it is slipping down the

queue, with the EU's moves to

invite applications from

Scandinavia and eastern Europe. Even Turkey's

membership of Nato and the

Council of Europe no longer carries as hig a cachet, as these

two organisations also consider

new applicants.
The next few weeks will be

critical. Brussels will be watch-

ing for any sign that Turkey is

going back on its undertaking

to meet the next round of tariff

cuts. All tariffs have to he

Industry complains at the failure of repeated govern-

ments to bring the hudget defi-

cit to heel. Managers say this

has discouraged the loog-term

investment decisions necessary

to upgrade technologies, the

only way many local compa-

nies will survive the renewed

competition which will follow

Mucb now depends on

resolving the current political

gridlock. Wheo the coalition

was formed in October 1991,

more reformist Kurdisb policy

customs union.

reduced to zero in 1995.

Skating on thin ice

corporate Turkey is now trying to prepare itself for the most momentous change in the trade regime in over 20 years. In 1995, harring upsets, a customs union will be established with the European Union. The motivation is as much political as economic. But the short-term cost to the Turkish economy will be likely to dominate the negotiations which formally got under way at a meeting of the EU-Turkey Association Council early this month.

The implementation of a customs union will transform the face of Turkish industry. The charmed life of Turkey's large privately-owned companies, which have prospered behind high tariff barriers, is coming to an end. The market share of key sectors such as cars and consumer durables is likely to be squeezed hy cheaper imports, particularly when Turkey adopts the EU's common commercial tariff for third countries, including

management consultants, has just been employed to look at the car sector. The study will almost certainly conclude that Turkey's vehicle manufacturers are not ready.

there was popular expectation that the search for common cause would force both parties to moderate their positions -Turkey's full membership of the right-wing True Path party (DYP), forced to take on a and the Social Democratic Populists (SHP) a more pro-busi-ness stance. That did not happen. Indeed with Mrs Ciller's appointment as DYP leader. and as prime minister in June, after Mr Suleyman Demirel's move to the presidency - the lines of communication have become even more atrophied.

Mrs Ciller's attempts to legis-

late by decree have now been abandoned. The sale of state enterprises and tax reform, the twin pillars of ber bid to bring down the deficit, remain blocked. The courts, on appeal from SHP deputies, have moved to prevent the sale of the state telecommunications company, and are poised to take similar action in the case of Tek, the power utility.

Meanwhile, the long-awaited tax hill, which Mrs Ciller earlier withdrew from parliament in an effort to extend its provi-sions, has still to be debated. Few officials believe it can he legislated before the end of the year. In that case, its effects will not be felt until the 1995 tax year at the earliest. In the absence of much prog-

ress on reform, officials are counting on strong economic growth to boost the fiscal side hy increasing the tax take. The competition resulting from the surge in lower cost imports may also prove instrumental in restraining inflation, although it still hovers around 65 per cent. In turn, there is every expectation that the frenetic pace of industrial activity will have eased the unemployment

More worrying ts the reserves position, which while bealthy now, cannot long he sustained while the current account deficit is projected at \$5hn. Foreign deht has risen sharply and is expected to have exceeded \$60bn with the latest spate of bond issues hy the

Turkey's public sector borrowing requirement is not huge by the standards of many European countries. Indeed, given the narrowness of the tax hase, there is plenty of room for fiscal consolidation. One difficulty will be convincing the public of the case for extra taxation, while implementing a slowdown and in

IN THIS SURVEY

Economy: action needed on financing problems Banking: shift lowards private sector

moves ahead Europe and customs union: lobbying on tanff cuts □ Economic co-operation:

raiders Page 4 ☐ Privatisation: Mrs Ciller stubs her loe

move in Tourism: terronst attacks frighten off visitors Page 6

some cases a freeze on investment in public services and infrastructure.

and education, there is a strong case for more spending rather than less, SSK, the rudi mentary national health and retirement plan, is all but hankrupt, unable to pay its debts to the pharmaceutical companies. Many public infrastructure projects have come to a standstill and contractors complain that even the government is behind in instalments on the work already com-

All eyes are oow oo the municipal elections in March. In 1991, the Motherland party government tried to spend its way to the polls - unsuccessfully. Given the current growth rate, Mrs Ciller hardly needs to pump-prime the economy. Should the DYP make strong gains next spring, it will be tempted to break with the SHP and call early general elections. But unless there is a new consensus, Turkey will continue to bave difficulties in addressing Its mounting eco-

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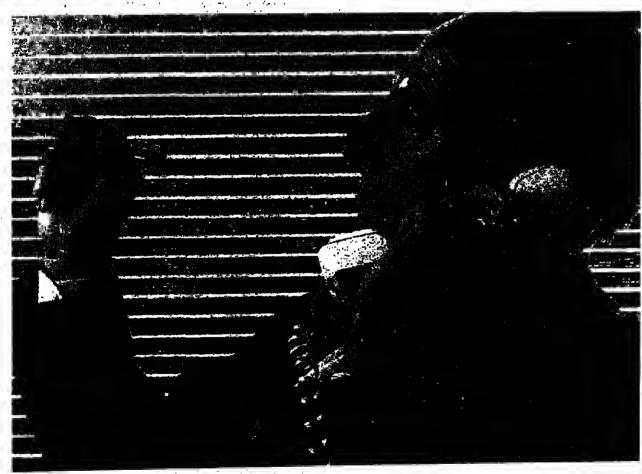
11 states linked

□ Food industry: foreigners

On welfare, public health

President Demirel, in a

strongly worded speech earlier this month, warned of the dangers if early decisions were not made on a new generation of power stations. Energy experts have projected that without substantial oew investment, Turkey could face a supply shortfall as early as 1995.



A hotel in Sochi, Russia, on the Black See, built by Gama Industry



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Public sector borrowing is too high, and the balance of payments is under strain, says **John Murray Brown**

Recent turbulence in the foreign exchange markats suggests that traders remain unconvinced of the government's commitment to address the structural issues on the budget. Domestic interest rates also appear to be edging up, adding to the govarnment's short-term financing problems and further delaying the recovery in private sector invest-

The root cause remains the government's failure to address the problem of its own finances, with the public sector borrowing requirement officially set to rise to 16 per cent of gross national product in 1993 against a 9 per cent target. The situation is exacerbated by the deteriorating picture on the trade account, which is putting the balance of payments under strain for the first time since the early 1980s when Turkey last rescheduled

But if the impression sometimes given is thet Turkey is heading towards the hrink, the business community is confident that with a firm hand on the helm the situation can be turned round.

reserves ehould give the authorities a comfortable cushion to withstand external shocks. Indeed, the long-term health of the economy is not in doubt. The historical trend of foreign investment approvals, the best indicator of confidence, continues to rise. The

Action needed on financing problems UK, for example, seems to be become much harder since the preparing for its second coming in Turkey.

The first wave of UK investment in the mid-1980s was led by Polly Peck International, the fruit-to-electronics group, run by Mr Asil Nadir, the Turkish Cypriot businessman. After the group's collapse, the Department of Trade and Industry is trusting that the next investment generation

will prove more robust. As if to underline the point, tha DTI has just opened a Turkish investment office. The British Chamber of Commerce in Turkey is hosting a series of workshops in London in April in s bid to attract investment. In the past decade, the country has come a long way. This

The long-term health of the economy is not in doubt

is underlined by the recent resurgence of the Istanbul stock exchange, and the ability of the Turkish private sector to tap international deht markets. But Turkey's real problems are short-term. Every day the authorities baulk at the need for reform, the problems

The policy challenge is to curb inflation while sustaining sufficient growth to create lobs for a population that is cult trade-off and the task has

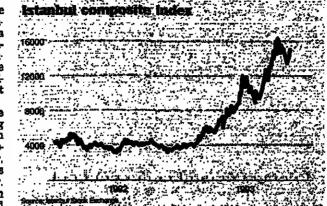
liberalisation of exchange controls in the mid-1980s. Turkey's economy is now more vulnerable to policy error. For a coalition, divided on some of the basic tenets of economic policy, the balancing act is that much more perilous.

The government has made some progress in lengthening its debt maturities, through tax changes encouraging investors to hold longer-term paper, nine-month or one-year bills rather than three-month paper. The profile of Turkey's foreign debt has also improved slightly, shifting attention from the syndicated loans to

Progress on both privatisation and tax reform has been more disappointing. Both policies have been stymied by political wrangling. The possibility that the proposed new tax law may be passed by the end of the year looks remote. Recent increases in value sdded tax may raise some revenues hat could also encourage the already widespread prob-

One area where the government has had some success is in the reform of agricultural subsidies, a continuing burden on the budget. Cotton prices have been partly deregulated. Attention has now turned to tobacco. And for the first time idies are to be consolithe subs dated into the central government budget.

For all that, recent indica-



tors suggest the policy dilemma is still unresolved. In tune of \$5bn by the year-end, the second quarter growth compared with just under \$1bn exceeded 12 per cent, as imports surged and domestic in 1992. On the capital account of the balance of payments. consumption continued to be Turkish stocks have attracted fuelled by easy credit. Some increasing foreign portfolio economists explain the latest investment. Changes in the figures as evidence of pent-up rules on foreign funds should basten the trend. demand held back during the However, actual direct fixed period of the Gulf War. However, few believe such a perforcapital inflows have slowed mance is sustainable, without down, partly as a result of the

serious implications on the fiscontraction of government project work. Companies also seem hesitant to commit themcal and monetary side. The trade deficit by August had reached \$9.4bn with selves before Turkey's expecimports rising to almost \$19bn, ted move to a customs union with the European Community much of the increase being in consumer goods. While remitwhen trade barriers will be reduced to zero and imports have remained steady, tourism are likely to surge further the other main invisible trade item - is down following

To make up the shortfall on the capital account, the government this year has gone to the bond markets for \$3.8bn. Turkish foreign debt - both

public and private sector - is now a dizzy \$59bn, up from \$54bn at the start of the year. The increase in the debt is also explained by the number of Turkish banks resorting to offshore borrowing to fund their lira loan book, a strategy which will remain attractive as long as the central bank continues its strong lira policy. There is also a growing appetite among Turkish depo to keep their savings in foreign

The increased capital flows have strengthened the reserve position. At the end of Sea ber, total international and commercial banks stood at \$18bn, equivalent to about

eight months of imports.

However, the government's latest rush to the international markets was prompted more by concern over the announce ment that Moody's, the US rating agency, is reviewing Turkey's credit standing. Any move to downgrade Turkey from investment to speculative category could cut off s whole of range of institutional investors, at least in US markets, It could also upset Turkey's debt strategy which has been heavily dependent nn bond issues in the last two years, helping to lengthen the maturity of government and spread-

ing the investor base. The worst prospect is that the government could be forced to return to the syndi-

cated loan markets. Such an

outcome would produce a crowding out effect for the Turkish private sector banks. They would then be forced. back to domestic borrowing, pushing up interest rates as they seek to attract depositors and move to close their foreign

exchange open positions.

When she succeeded as prime minister in June, Mrs Tansu Ciller warned that 1994 would be a difficult year, with the growth rate falling to 45 per cent. Many governments would welcome such a prospect, but in Turkey, after a decade averaging closer to 6 per cent and in the wake of cent, the decline is hard to

The new sudget presented to

Downgrading the credit standing would upset ... Turkey's debt strategy

parliament envisages a deficit of TL192,000hn. Personnel est item at TL265.000hn while interest payment on the government's debt is project TL217,000hn. The budget deficit is around 8.5 per cent of GNP. However, when the losses of state enterprises, municipali-ties and other funds are taken into account the PSBR is targeted to reach around 14 per cent of GNP. Many banks in Istanbul believe the figure

could be closer to 20 per cent.

The size of the deficit, while worrying is not itself a problem. The main issue is how to finance it. The treasury is hoping to raise around \$1.5bn in privatisation revenues and to go to the international debt markets for another \$1.5bn.

But given the narrowness of domestic capital markets and signs that international demand for Turkish paper may be cooling off, the temptation will be for the government to resort to monetary financing. The central bank law currently allows the government to go to the bank for up to 15 per cent of budgetary outlays. In 1994 this would result in a 50 per cent increase in broad money M2 with all that means for

inflation. Hitherto, the bank has intervened in the market, selling dollars to absorb the excess lira liquidity, in effect "sterilising the monetary expansion. But with Turkey'e external account under some strain, the bank is likely to have less room to manoeuvre.

Apparent indecision on the correct level for the lira is creating additional uncertainty. Since June, the monthly devaluation has sveraged 5 per cent against the basket of currencies, compared with 3 per cent for the first

1. 10.000

half year. The more rapid depreciation may help exporters who have been losing market share because of the overvalued lira. But as the pace of depreciation speeds up so the ura cost of the government's foreign debt repayments rises. The competitive advantage gained by exporters is very quickly eroded by increases in inflation. Sooner rather than later, Turkey will have to break out of this vicious circle.

Few Turkish industries have welcomed the government's commitment to Europe quite as readily as the banks. A new of lsw in September, brought Turkey into line with its European competitors in a number

the financial sector. The confidence is readily apparent. On the Istanbul stock exchange the banks listed are among the most profitable and beavily traded stocks. For the first time a Turkish bank has floated shares internationally, with Garanti Bankasi selling \$103m worth of stock through an American Depositary Receipt

in November.

of important areas and

marked a further deepening of

With growing frequency, the private sector banks are able to tap international debt markets. A whole bost of banks baya successfully ventured into the markets iccluding able bank, which raised \$25m in a one-year loan arranged by Bank of New York. In November Akbank, Turkey's largest family-owned bank, was due to conclude its first-ever foreign syndication - s \$100m oneyear borrowing. Mr Erol Sabanci, the bank's chief executive, said that at point 85 over London Inter Bank Offered Rate, the deal underscored Akbank's standing as the best rated bank in Turkey. The Turkish banking indusBanking enjoys a shake-up

state with the five state banks accounting for close to half the total assets, which at the end of 1992 were around \$67bn. The largest private sector banks are run by family holdings, including Sahancl's Akbank, Cukurova's Yapl Kredi, Pamukbank and Interbank or the Dogus Holding's bank, was merged with Emlak,

But the new law should help shift the balance in favour of

For the first time a Turkish bank has floated shares internationally

the private sector. For the state banks, like others, are being forced to improve their capital ratios. With the government reluctant to inject new capital into the state banks, the only way to meet the targets is to run down their equity participations and reduce their loan book.

forced into liquidation, where before they were absorbed by a state bank. It's a long overdue signal that depositors will have to take the risk of a bank

into account," says Mr Ibrahim Betil of Expresbank. In the case of a falled state bank, the government will continue to step in. Last year, the government announced that Tobank, the teachers' bank, was to be merged with the Halk Bankasi and Denizcilik Bankasi, the maritime

the state housing bank. The wholesale privatisation of the big state banks, such as Ziraat and Emlak, may be ne way off. Ziraat is more like an arm of the treasury, dispensing credits to farmers and using its extensive branch network to pay civil servants and other government employ-

But on a smaller scale, the banking operations of Sumerhank, the textile manufacturing and general retailing outfit, have been offered for sale. Similar moves have been made to allow for the disposal of the banking side of Etibank, the minerals concern.

is the government's planned sale of its 12 per cent stake in Turkiye Is Bankasi, the country's largest commercial bank. The sbake-up in the state

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sector is mirrored by a rapid restructuring among private banks. Banks are closing hranches and laying off staff while enhancing electronic banking. In less than a decade, Turkey has moved from a rela-tive lack of sophistication to become a modern industry. But for most Turks, the plastic card is not so much an instrument of credit as a way to obtain cash.

terrorist attacks by PKK, the

The current account is

Kurdish Workers' Party.

The balance is shifting from the public to the private sector

Most transactions are still done on a cash basis. The main thrust for introducing antomatic teller machines (ATMs) was "to keep the customers out of the bank," save Mr Akin Onger of Garanti. His bank is leading the way in computerisation, with all 201 Garanti branches now using real time clearing systems.

The development of elecnic banking has also forced banks to improve their credit supervision. "Today you can go to 10 different banks and get a card from each one and no one will know," says Mr Ongor. The foreign card companies like Visa are said to be concerned by the growing number of defaults.

In parallel with these moves, many banks are boosting their consumer lending husiness. still s fairly emall chare of most banks' asset books. Garanti says consumer credit currently accounts for around 4 per cent of its total loans corporate loans making up the lion's share. But as interest margins on corporate lending have oarrowed, banks are

Garanti says it intends to increase its operations. Consumer credit is particularly attractive for the banks with links with big corporations, which can then offer customers hire purchase financing. Koc, the largest holding com-pany, is boosting its banking services, in part to take advantage of the booming car sales and sales of consumer dura-bles, two sectors where it has a dominant position. Akbank is developing its consumer credit facilities to finance Toyota's joint venture with its In 1992 the government libof asset-backed securities. The securitisation of various debt instruments such as car and housing loans has been a popular practice in recent months, providing hanks with a cheaper source of funds. By shifting the risk of default to

requirements set under the But the broader economic

new investors, it also reduces the onerous capital adequacy

The spread between deposits and credits keeps interest rates high

impact is potentially more dangerous. "The banks have now been given an incentive to lend to customers for consumption," says a foreign

In a related issue, in October a number of banks applied to the Capital Markets Board to be allowed to issue commerised loans, this is seen as a chean funding for banks as if would not incur liquidity ments set by the central bank.

However, under the current rules only investment banks, which are restricted from taking deposits, municipalities, corporations and state enter-prises are allowed to issue commercial paper. No decision has been made to allow banks to issue commercial paper. Nonetbeless, the issue has thrown into relief the tension between the need to deepen the financial markets and the perhaps more pressing concern of the banking authorities to keep a hold on money

Currently for every 100 lira pnt on time deposit with a bank, on average 46 lira has to be held as reserve or liquidity tax on the banking system. Call deposits are a slightly

cheaper way to raise funds. As a result, the intermediation costs - the spread between deposits and credits - keep interest rates high. Another result is that rates between

different banks can vary as much as 15 per ceut. Nowhere in the world are interest rates says Mr Erol Sabanci, disap-

provingly.
Inflation continues to make it difficult to assess bank per-formance. IBCA, the Londonbased rating agency, estimates that most major banks in Turkey saw a negative return on. equity in 1992.

Mrs Tensu Ciller, the prime minister, has pledged to reduce banks costs in a hid to bring down interest rates. flowever, there is little possibility of that while the government deficit continues to

The sector has other more urgent problems. The banking closely the foreign exchange exposure of many private sector banks as they seek to fund their lira business by borrowing offshore. Given high real interest rates offered in lira deposits, the attractions of borrowing offshore are enormous. Garanti estimates that currently 27 per cent of its

rofits result from trading on its short positions. Garanti was the most profitable of the large privately owned banks in 1992. The tious. "We have a policy that the open position should not exceed the equity of the bank, says Mr Aclan Acar, a director. "That means the shareholders take the risk, not

the depositors. We've suggested to the central bank that they chould make this rule applicable to all banks." But the danger, particularly with the government indicat ing that it favours a more rapid depreciation of the lira, is that it could result in a massive one-way currency flow as banks seek to close on their foreign exchange positions.

John Murray Brown

Profile: ISBANK

Party fights for Atatürk shares

Turkey's founder, Mustafa Kemal Atatürk, must be turning in his grave as politicians and bureaucrats squabble over the shares in Turkiye Is Bankasi that were left in his will, writes John Murray Brown.

Ataturk's: holding in the country's largest commercial bank is today: the subject of a rumbling legal battle between the Turkish treasury and his old party, the People's Republi-

can Party, (CHP). Isbank has a unique place in the Turkish banking hierarchy. It was a pioneer in many role which made it seem more like a Japanese or German. hank than an institution from the Anglo-Saxon world. Ishank the Anglo-Dutch conglomerate, and had shares in the Cukurova power utility, which It sold at a handsome profit to the Uzan family. It is now sell-

meet capital standards. Isbank's curious share structure means the bank is neither state-owned nor truly in the private sector. Its largest shareholder until recently was its pension fund, with close to 40 per cent of the stock. The Treasury owned 12 per cent, while around 29 per cent represented what was known as the Atatürk shares:

But when Ataturk died, entailing his holding to the CHP, he can hardly have envisaged that all political parties would be outlawed in the wake of the military coup in 1980. The current dispute surfaced

when the ban was lifted. It was

decided to revive the CHP However, at Isbank's annual general meeting, the board ruled that the CHP was entitled not to 29 per cent, but to just 2 per cent of the bank.

The logic is that during the period of the han, it was the presidential secretariat which had held the shares. Dividends were distributed to the Turkish Literature and History Society, another condition of Ataturk's will. However, the capital increases - a common practice in Turkey where inflation is close to 70 per cent - were met out of the treasury coffers, The CHP thus found its holding dramatically diluted.

The party, not unnaturally, is now claiming title to its origtoal stake in full, even if it means paying for the capital contributions. It argues that, while it was hanned, it was not exactly in a position to participate in the capital increases.

The CHP has some public

support. And if there is some reservation over the general philosophy of privatisation, there is likely to be specific resistance to the idea of selling off Atatürk's shares in Isbank. as the government is planning. The twist in the tail is that the government now says it plans to sell the 12 per cent it does own while the court case with the CHP continues. This would allow the pension fund to buy the shares and become the majority owners of the bank. This may prove far more of s threat to the current management of the bank than any

arcane legal argument about

who owns the Ataturk shares.

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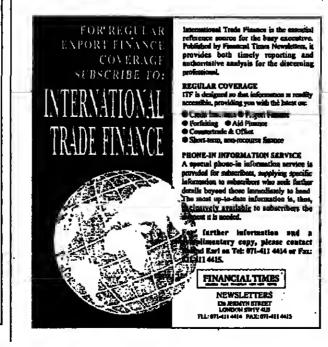
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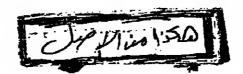
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LANGUAGE FOR INDUSTRY



As Russian troops blasted the White House building in Moscow during the anti Yeltsin rebellion, executives at Gama Industry in Turkey watched on televison with particular interest. For they were working out how to put the building back

Within days of the ending of the rebellion on October 4, Gama was on the phone to Moscow. A verbal agreement was secured on October 14, and Gama workers were on site the next day.

It is only a small contract - \$17m for the first phase of repairs - but Gama, one of Turkey's leading construction and engineering groups, was keen to establish a reputation in Russia.

It is a story that illustrates the relative dynamism of Turkey's private sector. Gama is owned by its managers and other key employees, although it is considering a stock market flotation.

Gama earns much of its income from public contracts at home. It undertakes hig infrastructure projects, including hydroelectric schemes, a new underground rail system and residential building. But, while the government is battling to contain costs and reduce the budget deficit. Gama is looking overseas for new

"Spending on infrastructure projects is our bread and butter," says Mr Ergil Erst. Gama's managing director. "But on the other hand, Turkey has to cope with an inflation problem. To reduce inflation, this government, or any other government, needs to curb investment.

"A second point is that Turkey is borrowing - securing foreign financing to support such projects. There is a limit to this ... As much as we want to do more

How TV got Gama to Russia

work in Turkey, we realise there are limits." The domestic market, according to Mr Erst, cannot be relied on in coming years to sustain Turkey's large construction sector, which contributes about 5.5 per cent to gross domestic product.

Along with many other companies in the sector, Gama has grown steadily by ng the overseas market. It is the sec and major push by Turkish contractors in recent years to boister earnings abroad because of a tightening domestic market. Turkish construction companies produced spectacular growth overseas in the mid-1980s because of a depression in the industry at home in the early 1980s.

in the past year, contracts won overseas have pushed Gama earnings towards an even split between domestic and foreign work. Turnover more than doubled last year to \$97.8m, producing pre-tax profits of \$7.82m against \$3.97m in 1991. It currently as \$500m contracts in progress, and says it is close to concluding a further \$500m. Contracts secured in the past two to three years have averaged about \$200m.

Gama has targeted Russia and other countries in the Commonwealth of Independent States for expansion. It believes that, despite the uncertainties, there are vast opportunities in Russia'a wide-open market. "No matter what, even if governments change, there will be a need for our services," says Mr Ersü.

The company, which employs on average around 5,000 contract workers, has operated in eastern Europe since 1985 in a joint venture with four other Turkish contractors. Last year, Gama pulled out of the Mir Construction partnership to build up its work as a single operator. As a result, nearly half of its new business volume last

year came from Russia. Gama recently completed a 650-room luxury hotel in Sochi on the Black Sea coast, in which the company retains a 16.6

tion is still the core husiness, but, says Mr Ersu, "there are ups and downs in con-

Gama earns much of its income from public contracts at home. But while the government is battling to contain costs and reduce the budget deficit, Gama is looking overseas for new work

per cent interest. The \$35m hotel, which is due to take its first guests hy the end of the year, is operated by Radisson, the US hotels group. The contract did not produce a huge profit for Gama, hut like the White House deal, it was important in terms of visibility.

"We see the hotel as our show case Russia," says Mr Ersü. "It has the best of everything - carpets from the UK, wallpa-per from Belgium, kitchens from Sweden, marble from Turkey."

■ THE STOCK EXCHANGE

Gama's investment in the hotel represents a further strand of diversification. It is shifting away from construction into property, mining and tourism. Construc-

tracting work, so we are investing in a way that will provide more constant returns and improve overall cash flow." Other hig contracts in Russia include a

\$78m complex in Moscow for Gazprom, Russia's gas distribution company. Work began in April on its 35-storey headquarters, due to be completed by mid-1995. The company is also building a \$12.5m hotel and offices in Tyumen, western Siberia, to

service the oil and gas industry. It recently completed work with Babcock and Wilcox International of Canada on a \$100m heat-waste project in Bratsk, east of Lake Baikal. The project, for which Gama won \$35m of the work, was to coovert heat generated at a pulp and paper

mill into energy.
Gama's push in eastern Europe could underpin growth for the company in coming decades. Earlier this month, Turkmenistan signed a letter of intent with a US-Turkish consortium, including Gama, that could lead to the construction of a 84bn natural gas pipeline across Europe. A feasibility study on the project is under way.

The company has secured small con-tracts in Turkmenistan, including a \$10m scheme for a mosque, financed by a Turkish government grant. But it believes that opportunities are limited in other Turkic states, which it says would be hardpressed at the moment to secure western

Gama is established in the Middle East, particularly in Saudi Arabia, although it has secured fewer contracts in the region recently than it had boped. Elsewhere, the company signed a \$50m contract last month to huild a cement plant in Malaysia

in partnership with Krupp of Germany. Several high profile contracts are under way at home. Work began in March on the first phase of Ankara's underground metro rail system. Gama has secured a \$260m contract shared with Guris of Turkey to build a 15km line and station from the city centre to the west, due to open hy the end of 1996 or early 1997. Other companies in the project include Bombardier and SNC Engineering of Canada.

One of Gama's higgest contracts to date is for a 672MW hydroelectric power dam on the Euphrates river at Birecik close to the Syrian border. Gama and Philipp Holzmann are leading a European consortium on the DM2bn contract, which was signed nearly a year ago. Gama says it hopes financing arrangements will he finalised

The project is a build, operate and transfer (BOT) scheme, under which the consortium of Turkish, German, Belgian, French and Austrian contractors huild and operate the dam and then transfer it to the government under a 15-year contract. Gama has a 19.4 per cent stake, Philipp Holzmann 16.4 per cent, TEK, Turkey's state electricity company, has 30 per cent. and the other three companies hold smaller stakes. The financing package will be in export credits and commercial loans. The dam, which will take more than five years to build, is part of Turkey's southeast Anatolian project to provide irrigation and power in the poor and arid south-

Gama has linked up with Thames Water of the UK on a \$700m water supply scheme for the city of Izmit, east of Istanbul. The plant was to have been financed by government money, but it was converted to a BOT scheme when the budget allocation was cut. Financing, which is still to be finalised, will now come from export credits, commercial loans and direct invest-

ment by the partners. Gama will construct the dam and pip lines. The water treatment plant will be built jointly with Thames Water, the majority owner, which will operate the plant. The project is underpinned by government guarantees to buy the water and

energy. For the moment, Gama will continue to look east, towards Asia and the CIS, for future growth. It believes that while Ankara's politicians look west, to membership of the European Union, it will be some time before Turkish industry as a whole will be able to compete effectively in western European markets.

In a small alley off Istanbul's dockside, young share traders stream through the doors of a tattered building each morning and head for the trading floor,

They work shoulder to shoulder, ducking past each other to buy and sell shares in the 156 companies quoted on the Istanbul Stock Exchange.

Conditions are cramped in the market's temporary home. Yet the Istanbul exchange has produced the best performance among the world's emerging markets so far this year. Istanbul's 60-share composite index has scaled new heights this month. It has climbed from 4,000 at the start of the year to around 16,500 today.

The Istanhul Stock Exchange, a bahy among emerging markets, is growing up. Ten days ago, the Istanbul market joined the 21 exchanges around the world granted."designated offshore securities market" status by the US Securities and Exchange Commission. This means the procedure for companies seeking listings overseas can be simplified, in : around 65 per cent, the corpo-

The market moves ahead

recognition of the market's

own regulatory system. Daily volumes on the exchange have tripled since 1991 to average \$75m this year, with 120m shares changing hands each day. Foreign investors now account for 25 per cent of total volume. Market capitalisation, which had reached just over \$2.2hn by the end of the first-half this year, is now estimated by the Stock Exchange to be close to \$3bn,

helped by sales of shares in companies being privatised. Like many emerging markets, the Istanbul exchange has been fuelled by foreign interest in countries enjoying stronger economic growth rates than in the developed economies. And while Turkey is grappling with a huge hadget deficit and inflation of

rate sector is producing healthy profits.

There's no real connection between the macro side and the performance of companies, which are continuing to do well into the third quarter this year," says one London broker. Economic growth is up 12 per cent in the second quarter and up more than 9 per cent year on year. Annual growth will be at least 7.7.5 per cent, so companies are thriving."

The market is due to switch to computerised trading on December 3 with 50 less active shares and the whole market should be screen-based within 12 months. Mr Yaman Töruner, chair-

man of the Istanbul exchange, helieves the switch to an automated trading system will lift volumes substantially, "We can double volume within a

The exchange has been further stimulated this year hy legislation introducing substantial tax incentives for mutual funds with 25 per cent of shares in Istanhul-quoted companies. This has attracted more investment from the institutions. "Since January, the market has moved ahead mainly

hecause of encouragement for institutional investors, and improvements in legal procedures," says Mr Ozkan Gökde-mir, of Carşi Securities in Istanhul. "Many shares were undervalued with price/earnings ratios of under 10. So the market was cheap."

Mr Korhan Kurdoglu, of Ata Securities, also believes Istanbul shares are undervalued. He adds that company procedures could be further improved to encourage investment in the market.

"Accounting and reporting procedures could be improved, and so could the control of insider trading although there is no system that works 100 per

The market's hull run has continued this month, helped hy an easing in interest rate policy and hy the government's pledge to press on with privatisation. Brokers say the market is eager for new issues and ready to take whatever the government can get to the market in coming years.

While some brokers fear the market has reached the top and might be vulnerable to profit-takers, many believe it is heading yet higher.

"There has been a tremen dous run this year with the

Market capitalisation: Istanbul Stock Exchange

Emre Yigit, of Global Securities in Istanhul. "At these levels the majority of shares are fairly valued and the prospect of a significant run-up in prices is not that bright. But a number of stocks are undervalue

1987

1986

1988

and there are still bargains." Mr Yigit believes the funda-mental health of corporate earnings could underpin the market for some time. "The corporate situation is good -

20 per cent," he says, "And in the long run, inflation can be brought down - the causes are not insurmountable ... people will continue to invest in Tur-

1991

1990

Mr Atilla Yeşilada, of Karon Securities, shares a belief in the market's long-term strength, but he is cautious about the market's immediate direction. "My gut feeling is that it has to go down, though I don't see it going helow

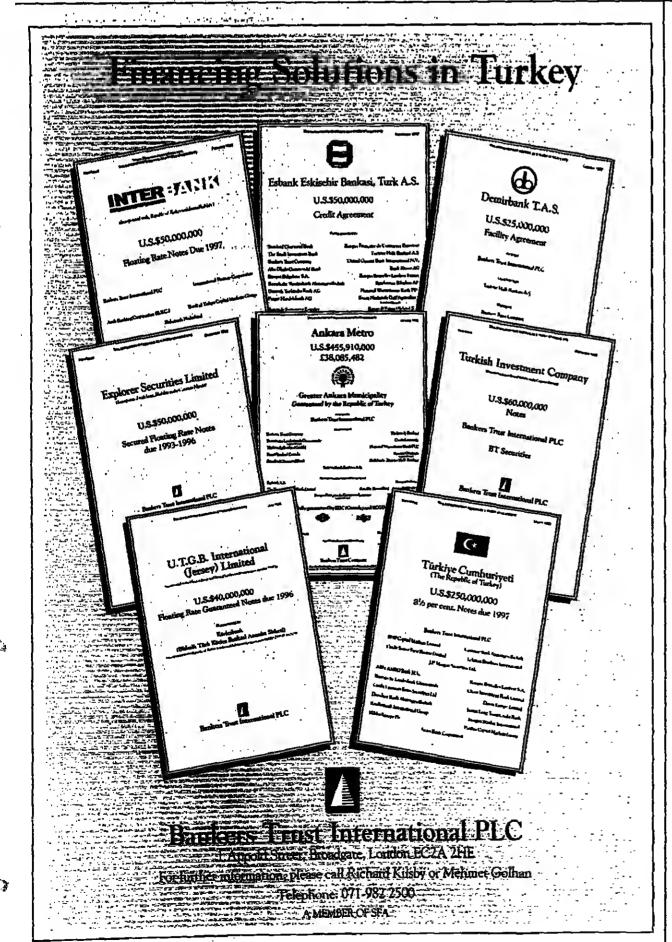
sector earnings are robust and the economy's growth rates are The exchange is due to move

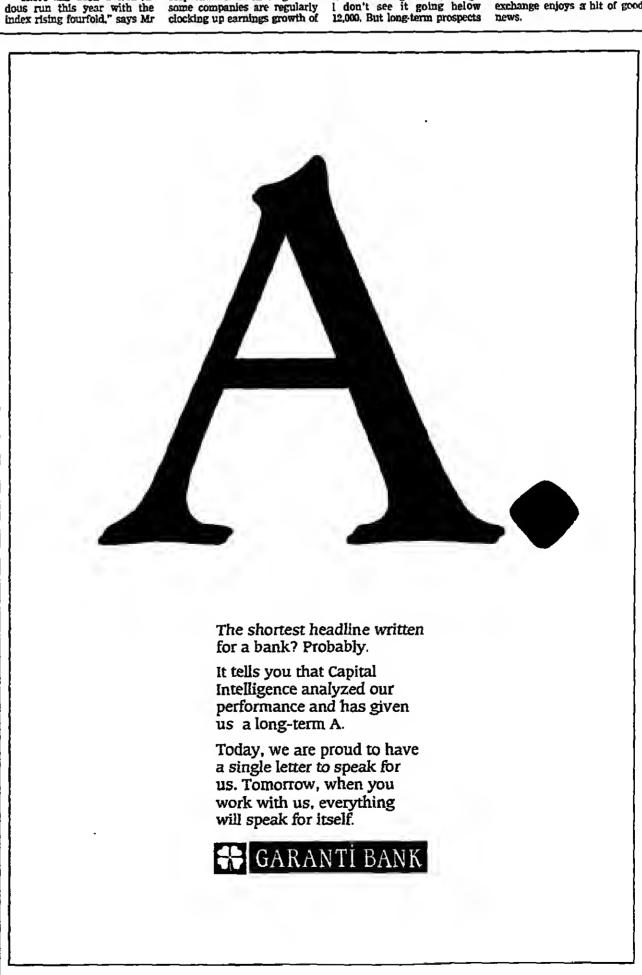
are tremendous ... corporate

to its new Istinye premises in the business district of Istanhul in April next year. By then, trading should be fully automated and perhaps operating on higher volumes than ever

Its direction depends in part on the outcome of municipal elections next March, and whether or not Mrs Tansu Ciller, the prime minister, can strengthen her position, and push through privatisation and radical restructuring of indus-

It is likely the stock market will look to the corporate sector for direction in the meantime. And it will watch the progress of its footballers. On November 4, the Istanbul index jumped 500 points the day after Galatasaray knocked Manchester United out of the European Cup Like stock markets the world over, the Istanhul exchange enjoys a bit of good





In Turkey, Euro-sceptics were once a rare breed. Not any longer, it seems. With the government preparing to cross the the historic threshold and enter a customs union with the European Union in 1995, many Turkish businesses are awaking to the fact that Turkey's trade policy will very soon be determined by the grey men in Brussels.

Europe is vital to the Turkish ecocomy The EU already accounts for 50 per cent of Turkey's exports. In turn, Turkey takes close to 40 per cent of its imported goods from the EU. Total trade between Turkey and the EU is expected to exceed \$20bn in 1993. The EU accounts for more than half of Turkey's total foreign investment.

Under the terms of the additional protocol of the 1963 Ankara Association Agreement with the EU. Turkey will reduce its high tariff wall. That is expected to result in increased capital flows to Turkey. The broader impact is that competition from EU imports will encourage greater efficiencies and force companies to apgrade their technologies. Turkey will also be required to introduce legislation to harmonise Turkish trade and commercial policies with the EU countries.

In parallel with the customs union negotiations, convergence in services is proceeding apace. Under a new law, the banking industry recently saw changes in capital ratios which bring it more in line with European standards. One of the

John Murray Brown says businesses are worried as the customs union deadline approaches

Industry prepares to lobby on tariff cuts

a requirement that paid-up capital is converted into Turkish lira. Foreign banks are thus required repeatedly to inject new capital, as inflation takes its toll. New rules have been recently introduced for

The two sides have also outlined a raft of legislative changes which should be in

The legislative changes might be a heavy workload, given the snail's pace of bills through parliament

place to complement the customs union The issues cover intellectual property rights, state aid and competition policy. This might seem like a heavy workload for Turkish legislators, given the current snail's pace with which bills secure pas-

However, officials point out that should there be an agreement of the Urnguay Round of the General Agreement on Tariffs and Trade, Turkey would have to com-ply with many of these pieces of legisla-

Commission officials make clear that the implementation of a customs union is a technical exercise which does not

require any further treaty negotiations. It does not even have to be ratified by the European parliament. To meet the deadline. Turkey will have to reduce tariffs and non-tariff barriers to zero, while adopting the EU's common commercial tariff for third countries. Turkey would, in addition, be required

to assume the EU's preferential trade policies and defensive measures such as antidumping towards third countries. This would apply to the voluntary restraints with Japanese car imports, as well as preferential trade arrangements with the Maghreb and other Middle East countries including Israel and Jordan.

Customs union will have a sectoral mpact on Turkish industry, as well as badgetary ramifications for the government. On the budgetary side, the government calculates the loss of import duties at about \$3bn, including the scrapping of the Mass Housing Fund, now levied on e

range of luxury goods imports. This fig-ure would be offset by an increase in import volumes which would add an estimated \$1.5bn to \$2bn to Turkey's already large trade deficit. The EU is now understood to be considering ways to provide the Turks with some form of financial assistance, which avoids being blocked by the use of the Greek veto.

For many Turkish industries, the tariff cuts represent a considerable loss of protection. Today, according to EU calculations, the average protection rates for a sample of 501 industrial products are still around 15 per cent, despite a reduction of 6 per cent at the start of 1993. The Treesury is now compiling the details of the import regime for 1994. "There will have to be a strong signal that the government is going ahead with customs union," said one European Commission official.

The Commission's concern is that some powerful industries are preparing to lobby to see protection retained beyond the deadline. The sectors - motor vehicles, white goods and packaged foods - are seen as particularly vulnerable. this would be in contravention of a customs union. They also warn that some member states may use this as a pretext to retain the current quotes on Turkish textile imports to the Community.

With around \$5km of exports in 1992, the textiles industry is Turkey's largest exporter, accounting for 36 per cent of the

Removal of European quotas will suit the textile industry, but the car sector faces a blast of competition

country's total export earnings. Turkey is. already the biggest supplier to the EU despite the quotas, accounting for 10 per cent of KU textile imports. The removal of quotas would provide a welcome boost to

The motor vehicle sector, on the other hand, is bracing itself for an cold blast of competition. The industry is dominated by the local operations of Fiat of Italy and Renault of France. Local producers currently enjoy very high protection. On pas-

taxes are charged at 39 per cent.
The car sector is now rushing to reinvest in new lines, and introduce new models to compete against imports. The threat to market share is not so much from EU utacturers, who already account for the top end of the market. The main concern is over increased shipments of Skodas and Ladas from eastern Europe, once Turkey adopts the EU's common external lariff of 10 per cent. Car imports are already growing at 80 per cent, compared with an increase in domestic production of around 25 per cent.
Foreign investors, too, are expected to

have to rethink their strategies in Turkey. For foreign companies already manufac-turing in Turkey, it will make sense to source more of their industrial inputs to EC countries. Philip Morris, the US cigarette producer, going one step further, now argues it will be cheaper to import finished products from one of its EC subsidiaries than manufacture at the newly installed \$400m investment near Izmir.

The broader impact is that Turkey will no longer be attractive for companies seeking to get behind high tariff barriers. The trend will be to sectors where Turkish production offers cost-competitiveness, economies of scale and suitable levels of technology. One area that is now attracting interest is the food processing and food retail and distribution sectors.

"We've decided to drop the p for project and the z for zone said the Turkish foreign ministry official, trying to explain missing from the title of the newly formed Black Sea Eco-

nomic Co-operation. Agreeing a name will probably turn out to be one of the easier tasks, as officials try to jump-start this fledgling trading body of 325m consumers which Turkey initiated in the wake of the collapse of the Soviet Union.

Today, more than a year after its fanfare inauguration, the world's youngest trading organisation is making steady, if slow, progress. It now boasts a secretariat housed in the grounds of the Dolmabahçe Palace in Istanbul. The building was originally used by the sultans to shelter during the earthquakes that periodically

Not an inappropriate choice of site, some might say. For the thrust of the BSEC may be eco-nomic and commercial, but as Georgian president Eduard Shevardnadze ooce warned, the idea could be "still-born" unless the region's various political dispotes are resolved.

"It's an achievement every time they meet together," says a western official in Ankara. At the first - and so far only -BSEC summit in June 1992, the real prize should have gone to the official who arranged the seating. After all, as many as seven of the 11 members were other - Romania and Moldova

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The Black Sea summit of 1992: participants included Georgie's Eduard Shevardnedze (third from left), Russia's Boris Yeitsin (tifth from left) and Turkey's Suleyman Demirei (tifth from right) ■ BLACK SEA ECONOMIC CO-OPERATION

All trading together

over the Dnieper, Ukraine and Russia at loggerheads over the future of the Black Sea Fleet; Russia and Georgie over Abkhazia and perhaps the biggest obstacle to regional peace the ongoing conflict in Nag-orno Karabakh, between Azerbaijan and Armenia.

The idea, though, is a laudable one - to help boost trade ties between the region's market economies and the former Comecon bloc. As Mr Ercan Ozer of the Turkish foreign ministry puts it. "The driving force, the locomotive, is to be the private sector. You shouldn't put a label on the

BSEC. It is sui generis." And what progress there has been is largely the result of the energy and vision of Turkey which is footing the bill, at a time when its own budget is under strain

The BSEC today comprises Turkey, Russia, Bulgaria, Romania, Moldova, Ukraine, Georgia, Armenia, Azerbaijan with latecomers Albania and Greece. Officials say the club Is open to new applicants. Poland has observer status and Belarus is considering a similar move. But joining is the easy part. Achieving concrete results is more difficult. Organisationally, the work

load is split between an inter-

national secretariat representing national governments and a parliamentary assembly to agree the implementation of legislative changes needed to underpin trade relations.

For Turkish officials, some of the teething problems should have been easier to predict than others. The parliamentary assembly, for example, was meant to comprise 70 mem-

About the only fact on which officials agree is that trade with the rest of the world is falling

bers; bowever both Greece and Bulgaria currently choose not to participate. Finding the staff to run the secretariat has been bedevilled by other, more unusual, coincidences. As one official explains: "We did in fact appoint a Russian in charge of financial affairs. But after recent events in Moscow, we have no idea of his fate."

The objective is to improve on the current needigible trade volumes within the region, and co-ordinate policy in such energy and port and road infrastructure development. A separate agreement has been made by Black Sea states to address the environmental issues.

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private-sector bank.

The region's industries, within the communist bloc, were typically organised so as to be dependent on Moscow. Today they need to reforge those links. However, this time relations will be based on mutual agreement and benefit. The long-term hope is that these economies, while compet-

ing with each other, may find new areas of co-operation. Turkey's trade relations with the region have had a scatter-gun quality since the Soviet break-up, but the trend is improving, in the first half of 1993, imports from the former Soviet republics more than doubled to \$1bn while exports increased 60 per cent over the same period in 1992 - Russia and Azerbaijan accounting for

the largest share. Other areas have produced immediate dividends. In Romania, Turkey now has some 3,000 registered companies in Bucharest. Turkish beer is now being bottled to Romania. Coca-Cola's Turkish bottling operation is supplying the Romanian market. Turkish bakers are said to have a virtual monopoly of bread production in the Romanian capital.

Groups such as Penta say counter-trade or barter is an indispensable part of e trader's armoury. To help oil the wheels, some Turkish businesses have sought out partnerships with international

counter-trade firms. However, the markets are difficult. Interbank, a small privately owned Istanbul bank, joined up with the Finnish concern Kaukomarkkinat, hoping to take advantage of its partner'e knowledge of treding with the Comecon countries. However, today their joint ven-ture has been liquidated. And as Mr Melih Araz, the head of Interbank, says: "When you get into a dispute on every

shipment, why do it?"
But Mr Ozer of the foreign ministry has a different per-spective. "You're not dealing here with Africa. Remember all these countries have some basic industry and an educated

mannower. In the short term BSEC officials believe the best they can hope to achieve is to address businessmen's day-to-day prob-lems, such as visas, and legal

questions such as protection of investment and the implementation of double taxation codes. Institutionally, there is an urgent need to compile a statis-tical base. About the only fact on which officials currently agree is that the BSEC's trade with the rest of the world is

falling. Where governments can also play a part to further business activity is in such areas as telecommunications. A fibre ontic sub-sea cable is to link Istanbul with Varua, Costanza and Moldova. Turkey's Eximbank is expected to provide financial support. Already officials claim that 40 per cent of the cable traffic has been pre-sold. Separately, agreement has been reached for a \$60m cable, running from Russia and the

Ukraine through the Black Sea

and eventually to Italy. The idea has even been mooted to extend the cable to Israel, to facilitate contacts between Israel and Jewish immigrants still in Russia, Georgia, Azerbaijan and Turkey have a fibre optic and radio telephone link. The launch of Turkey's Turksat satellite next January will

allow further collaborations. in the transport sector too, the BSBC is considering a Greek euggestion to create a corridor connecting all the littoral cities of the Black Sea. use its experience in port construction. Romania has also proposed a scheme to upgrade Turkey'e Samsun barbour so that freight arriving in the Black Sea viz the Danube could be loaded onto trains to reach the Mediterranean

across Turkey rather than add to congestion in the Bosporus. Next month, the organisation faces perhaps its biggest test when foreign ministers of the II member states meet in Sofia to finalise the launch of a trade and development bank. According a draft of the memorandum to be agreed, the bank is being set up to "finance and promote regional projects . and to assist in encouraging intra-regional trade especially

in capital goods." All member countries have agreed their cootributions to the bank'e capital etructure, although this is not to say they have yet committed the funds. The main sticking point is likely to be the site. Istanbul. Sofia, Bucharest, Costanza and donika are all bidding to host the bank headquarters.

John Murray Brown



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First of the raiders

Profile: CEM UZAN

and the abstract canvas are the props of tycoons all over the world. Only the insistent drone of the nearby mosque reminds one that this is old Istanbul, not Milan or Manhattan.

The office is that of Mr Cem Uzan, 32, who is Turkey's youngest and brashest husinessman, and the country's first corporate raider.

Rumeli Holding, the family's flagship company, today boasts assets worth up to \$1bn, after a programme of acquisitions which has taken the business scene by storm. In less than a year, the company has staked e claim to a place among Tur-

key's top five groups. Rumeli was active in the early 1980s in building infrastructure for the Libyan oil industry. The family than acquired two small banks -Adabank and Imarbank. With Mr Uzan's return from university to the US, the group ventured into television, exploiting the technology which allowed it to beam in from Germany, thus sidestepping the constitutional ban on private stations. InterStar was Turkey's first

private TV station and now has close to 25 per cent of the sector's advertising revenues. This year, the Uzans embarked on a spending spree, forking out close to \$500m. worth in asset purchases. The government's bid to speed up its privatisation programme provided the richest pickings. the group concentrating on sectors which are least affected by the threat of import competition as Turkey moves to a

pean Union. The Uzans bought five state

customs union with the Euro-

The acquisition of power utilities in Adana and Antalya

has given the group a strong presence in the sector ahead of government plans to privatise

TEK, the electricity monopoly. The company is now trying to position itself in telecommunications with moves to set up with Alcatel of France on Turkey's GSM system, the pan-Eu-ropean digital standard which will allow countries across Europe to use the same celluler system. With this link up, Rumell is well placed for even-tual flotation of the telecom arm of PTT, the state post and

telephone monopoly. Mr Uzan likes to put a diplomatic gloss on his swashbuckling business style. "As long as there are mutual benefits, there are alliances. If there are benefits thet collide, then there'e competition," he says. On other areas, he is less forthcoming. "As a private holding company, we don't publish financial figures. But there is no external borrowing.

on the series of transactions... It's all being internally financed." His business methods have not always been transparent. When a Turkish business magazine carried a cover story on the family, Mr Uzan had the entire staff sacked. The story alleged that in 1990 the group orchestrated a run on Imarhank, so as to avoid paying interest on time deposits. The bank had been offering the best rates in the market. Whatever the truth, it was a brilliantly executed exercise.

is now one of the best capitalised of the private banks. cement factories, in the pro-cess outhidding a number of Star is engaged in a war of foreign cement concerns.

Mr Uzan's battles continue.

Star is engaged in a war of
words – and ratings – with Show, its main rival. Show's

owner, the banker, Mr Erol

Depositors withdrew their

savings and then, seeing how

the bank had managed the crisis, piled back in Imar Bankasi

Aksoy, has been labelled a "son of a Greek" – and in Turkey, that rates as an insult. If that was not enough for Mr Uzan's lawvers, the group also has ongoing court actions against Mr Asil Nadir, the Turkish Cypriot business and Mr Ahmet Ozal, son of the former president, not to mention with Cumhuriyet, Tur-

key's only serious newspaper. Mr Nadir says he still owns the land on which Media Print, a business he sold to the Uzans, is located. Gunaydin, Mr Nadir's former newspaper sought court bankruptcy from its creditors, creating a new title under which it now prints. Cumhuriyet took similar action. Both newspapers owe money to the Uzan banks.

The takeover of the priva tised Culturova electricity utility proved even more contro-versial. The Uzans paid over \$80m for an 11.25 per cent stake in the Adana-based utility, then solicited shareholders' proxy voting rights to gain control in a move criticised by the Capital Markets Board, the government's watchdog agent. Finally, there was e series of tense negotiations with mem-bers of the Sabanci family. Through Akbank, Sabanci owned 5 per cent of the Cukurova stock. They tested us, we ted them. It was all to a civilised manner. There is no big room for bitterness in business. When you grow, I think it's inevitable you tread on people's toes," says Mr Uzan." So rapid a diversification of interests might be a cause of concern, but Mr Uzan points out: "All the acquisitions represent monopolies. There is practically no competition now and none in the foreseeable future. In terms of profits, we don't like competition.'

John Murray Brown

A working seminar

on the 14th and 15th of April, 1994, in London to allow UK and Turkish businessmen to meet with each other in an environment conducive to making important contacts.

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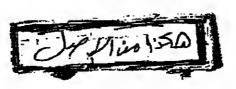
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TÜRK EKONOMI BANKASI



Sheila Jones explains why privatisation has limped to a halt

Mrs Çiller stubs her toe

it never really picked up speed. Turkey has raised only \$1.7bm in state sales since Turgut Ozal announced plans to liberalise the economy in the early 1980s. But privatisation has faced formidable opposition, from the bureaucrats and politicians with vested interts, to the unions and Social Democrats (now the junior partner in the coalition govern-ment) fearing thousands of lay-

offs across Turkish industry. The election in June of Mrs Tansu Ciller held out new promise. In a move to speed up privatisation, Mrs Ciller pledged to raise as much in one year as the programme had raised in the past decade. Seen as a moderniser and radical economic reformer, the new prime minister seemed to have enough support and enthusiasm to pull it off. More important, the need for revenues had

Mrs Ciller promised to sell

tions, electricity, oil and the motor and steel industries. The revenues, which the government still says will reach \$1.70n this year, are needed to making state sector, to reduce than a political crusade,

Turkey's 34 state-run industries are expected to lose around \$3bn this year. They employ 600,000 people in more than 400 affiliates. Economists estimate that around 60,000 jobs will have to go across state industry if it is to become

So far this year, \$350m has been raised through block sales, public offerings and flo-tations on the Istanbul Stock Exchange. But the government has no chance of reaching its 1993 target. Last month, Mrs Ciller's decree enabling the sale of PTT, the national telecommunications company and jewel in the state crown, was The sale, of up to 49 per cent have questioned the wisdom of

Turkey's biggest state companies, including telecommunicaease the burden of the lossthe budget deficit and to dampen down inflation. It is more an economic imperative

to raise between \$2bn and \$40n. The constitutional court in Ankara ruled the sale should have been put to parliament. A lower court then overturned Mrs Ciller's proposals to restructure PTT in prepara-tion for sale. The rulings have thrown the whole programme into doubt. "Telecoms was the big tes

case and Mrs Ciller failed," "Not only is there no chance of selling PTT for at least a year, hnt the government cannot even restructure the company. The ruling means all major projects must be halted, there can be no investment, no transfer of debt, nothing that was part of the move towards privatisation. Mrs Ciller has stubbed her toe on PTT." Some economic analysts

has slowed in recent years. The oil majors are now waiting to

pounce on Petrol Ofisi's net-

work of 4,300 outlets when the

company is privatised. The

sale was expected to take place

in the next year, though the

timing is now unclear because

of recent setbacks in the gov-

ernment's privatisation pro-

Petrol Ofisi dominates in

Mrs Ciller's beading straight for the big companies: PTT, TEK, the national electricity company, and Petrol Ofisi. Turkey's largest petrol retailer. They argue the government should hold on to the profitmakers to secure revenues over the long term and to reduce the burden on the state

Yet the criticisms and recent setbacks appear to be forcing a change of tack. Mrs Ciller is pressing oo with other sales and putting energy into a campaign to answer ber critics. Two weeks ago, the governmeot's trade and industry committee passed a further decree, despite the recent court rul-

"Selling winners is not a smart move. Mrs Çiller should cut bureaucracy and impose a wage freeze"

■ THE PETROL MARKET

by closing the many loss-makers that are too hopeless to be rehabilitated.

"Selling the winners is not a art move," says one economist in Ankara. "It provides a one-shot input of capital and doesn't cut the overall burden. Mrs Ciller should start by cutting the bureaucracies and

ings, empowering the energy ministry to sell TEK. The company is another of the government's showcase sales and potentially among its biggest revenue earners. Parliamentary deputies, who sought the ruling on PTT, are now said to be preparing their case against the restructuring and sale of

criticism from the left by promising to use privatisation funds for job creation and redundancy payments. The priority now is to close loss makers and to make provisions for unemployment with job creation programmes and special welfare provisioo. Revenues from privatisation "ere earmarked for industrialisation incentives and job creation," government officials said two weeks ago.

Sales this year have enabled several foreign companies to build controlling stakes in Turkish subsidiaries, and to position themselves in the market for the larger sales. Northern Telecom of Canada paid \$27.8m for a further 20 per cent in Netas the telephone and switch manufacturer, taking its holding to 51 per cent. Alcatel of France built its share of Teletas, the second

biggest telecoms group, to 65 per cent, buying 18 per cent of

Other stakes up for sale and attracting foreign interest include Tofas, the Fiat car assembly subsidiary. The government has decided to sell its 21.1 per cent stake and its 18.5 per cent in the company's distributing arm, Tofas Oto, in an initial public offering on international markets, along with private placements in the US and Europe.

Private domestic companies have bought up state competi-tors. Earlier this year, Rumeli Cement bought out three state cement makers for a total of \$135m, and Ercimsan paid \$31m for another small cement company. Rumeli's sister company. Rumeli Electric paid \$114m for minority holdings in

two electricity utilities. Such sales are small heer against the larger sell-offs stalled by the constitutional court. There are many companies still to come to market. Among the large companies planned for sale in the next few years are Petkim, the petrochemicals company, which the government says needs substantial investment, and the Turban hotel chain, which operates a tourist agency, four marinas,

and 19 hotels and holiday vil-Such companies might well be an enticing prospect for an overseas investor, and the need for foreign money might yet

strengthen Mrs Ciller's hand. Much will depend on municipal elections in March, and the prime minister's future relationship with the Social Democrats, on whom she is relying

to mediate with the unions Mrs Ciller has won few friends in her attempts to sell Turkey so far. She is accused of naivety, even arrogance, in trying to push sales through in bureaucracy and wider opposi-

As one western diplomat says: "Whichever way she does it, she'll get political flak: from the unions, from her coalition partners, from the courts. It's impossible to make rational policies in such circumstances. Mrs Çiller is up against bureaucratic gridlock and parliamentary constipation.

Look out towards the Bosporus from Istanbul's western hillside, along the roads winding down to the coast, and you will see some familiar brand names. Turkey's retail petrol operators are jostling with the oil majors, including Shell, Mobil and BP, for the best spot

in a fast-growing market. The multinationals and a handful of smaller operators have dotted the country with retail outlets, taking on Petrol Ofisi, the state-owned fuel distribution company, for market share. Competition is fierce.

"It is typical of the state of the market in western Europe 30 years ago," says one indus-try observer. "In some areas, you'll see five or six petrol stations on one spot, and some will be the same company. The strategy is simple. The big operators want to build pres-

By concentrating in urban areas, the multinationals have dented Ofisi's share of sales. Between 1991 and 1992, the company lost an estimated 17 per cent to the oil majors in the cities, including Istanbul, Ankara and Izmir. The trend is continuing, although Ofisi is trying to fight back by modernising and by shifting focus to the busy urban market.

Petrol Offsi's share of total sales has dropped from 62 per

cent in 1988 to just under 50 per cent today, according to industry estimates. Shell, Mohil, RP, and Turkpetrol - a joint venture including Burmah Castrol of the UK - have just over 44 per cent of sales between them, with the rest split between a handful of relative newcomers, including Total and Eff. Shell leads the foreign operators with about 13.7 per cent, Mobil has about 12.6 per cent, Turkpetrol has 9.8 per cent and BP 8 per cent. Total, which entered the market in 1991, has built a 3.5 per

Petrol Ofisi argues that it has recently recouped sales, although it runs more low-volume, low-incoma petrol stations than the multinationals, which have closed such outlets

alone accounts for about 40 per cent of the car-owning popula-tion, and is expected to produce market growth rates of at least 5 per cent annually in

more than doubled in the past 10 years from 1.35m in 1983 to

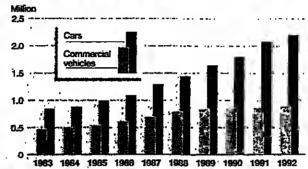
a growing population. Total netroleum product sales including transport fuel, lubricants and heavy fuel oils, rose 3 per cent to 16.6m tonnes last year, of which about 10m tonnes were sold at the petrol Growth in the number of retail outlets - about 7,000 -

coming years. Tha number of cars and

in favour of the more lucrative The cities produce the bulk of the sector's income, Istanbul

trucks on Turkey's roads has more than 3m today. The demand for cars is growing faster than for trucks, faelled by

Jostling for the best spots Cars/commercial vehicles



and little more than the rate of inflation. Turnover rose 61 per cent to \$2bn and sales so far this year are up by about the same amount.

rural areas, and it still has a large share of sales in the The government, which wants to attract foreign invest-ment, plans to sell at least 15 cities. In addition to its general sales, the company supplies fuels and Inhricants to the per cent of the company, possihly selling a strategic stake to police, military and the public transport system. Last year, a single buyer. Industry analysts say the nature of the sec-Ofisi made pre-tax profits of \$100m, well below its potential, according to industry analysts, tor militates against the sale of only a small portion of the gov-

ernment's 96.1 per cent holding, partly because it would leave control with the government, hut also because the best of the company could be sold at the outset: "Any buyer would want the best of the network, and once that has gone,

what is there left to sell?" A foreign buyer would want to restructure, closing thousands of low-volume outlets, laying off workers and operat-ing at international prices. All

sitive for the government, which may want to retain a controlling stake.

Petrol Ofis; employs more than 7,000 people. "I don't know where they all are or what they are doing," says one industry observer, "Virtually all the company's retail outlets are run as dealerships, so they areo't there. Staff could be cut by more than half and it would e much more efficient."

the company would like to cut staff to around 5,000. But it is a slow process, and while staff numbers have dropped from 8,133 in 1990 to 7,144 this year, the company's wage bill is still rising faster than inflation. Another factor in privatisa-

ernment sells Ofisi in a package with Tupras, the loss-making refining company which has about 85 per cent of the refining market.

Turkpetrol. Atas refines about 15 per cent of the market, Mr Mustafa Korel Aytaç, Ofisi's geoeral manager, says that

tion is whether or not the gov-

Mohil suggests a package sale could be attractive in a fully-liberalised market, with

Tüpras split into geographical sections, each containing a refinery integrated with marketing facilities. A company such as BP, which is more focused on retailing, would probably prefer Petrol Ofisi on its own. The company is less capital intensive than Tupras, and virtually ready to take over. Any huyer, though, would need to secure access to refining if Ofisi was sold alone. Some of the multinationals' refining needs are met hy the Atas refinery in Mersin, operated by Mobil, Shell, BP and

But for the multinationals, the central point is whether or not the market is fully liberalised. They complain that the contest is uneven because pump prices are kept artifi-cially low. The government, keen to control inflation, has restricted the price at which petrol leaves the refinery. Even when crude prices are rising on world markets, Tüpraş has not been allowed to raise ex-refinery rates. This enables Petrol Ofisi to discount at the pumps; the multinationals have to match the price cut or

risk losing share. The problem is compounded by the structure of pump prices. The state takes 65 per

per cent currently goes to the refiner. This leaves the multinationals tiny room for manoeuvre, particularly when world crude prices are rising. They say Tüpraş cushions Pe rol Ofisi when prices rise, and that it absorbs some state

Thus, discounting at the pumps eats directly into the multinationals' margins. Some operators say their margins could be increased by 0.2 per cent a day if there were no price controls.

Petrol in Turkey is the cheapest in Europe, according to industry analysts, Premium sells at around 65 cents a litre. Diesel, which accounts for 65

sells at around 43.5 cents a litre. Unleaded, at 64.5 cents. takes barely 1 per cent of sales. With economic growth estimated at between 5 and 10 per cent annually in the next few years, Turkey's petrol market has the highest growth potential in Europe, according to industry analysts, but the market has to change. "Profit margins are still substantially lower than in western Europe hut that will change as the market is deregulated. It won't produce a pot of gold, hut there is great potential."

Sheila Jones

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Foreigners move in

It was 40 years ago that the first locally manufactured food products of Unilever, the Anglo-Dutch conglomerate. were offered to the Turkish housewife. Today the foods sector is again attracting foreign attention as incomes rise, urbanisation gains pace and consumers become more brand

conscious. The interest is focused on the whole range of activities from food processing to distributton and retailing. According to Treasury figures, foreign investment in the food, beverage end tobacco sectors outpaced any other area in 1992 with permits for \$283m approved, compared with total investment in manufacturing of \$1.2bn. The amount in 1991

was even higher at \$364m. Much of the capital is still targeted at the domestic market, particularly in tobacco where both Philip Morris and Reynolds have made sizeable commitments in the past year. But there is also a significant trend in export-oriented food manufacturing, with tomato paste end fruit concentrates being the favoured products.

In addition, the retail industry is starting to attract big foreign names, with Carrefour, the French stores group, due to open its first hypermarket in the Asian part of Istanbul before the end of the year. Promodes, also of France, is looking at a possible venture with the local Dogus Holding. Prisunic of France is seeking a local partner. And Migros, originally a joint venture between the Swiss and the local Koc the local partner, is rationalising its smaller stores, while increasing the product range of

Begindik, a meat processing group from Kaysari, has opened a series of hypermarkets, including one housed under the vast Kocatepe mosque in Ankara.

Several manufacturing joint ventures have been set up. Jacobs Suchard, the Philip Morris affiliate, earlier this year agreed with the local Sabanci's Marsa company to market and eventually manufacture a range of confectionery products. There remain some big players. For example,

Ulker, a chocolate manufacturer, is larger in Turkey than Nestlé. But as competition intensifies, hankers expect more mergers as foreign names, in the wake of Turkey's move to achieve a customs union with the European Union in 1995, buy up market

In 1992 Unilever took over Komili liquid oils company, in an agreed merger in what one western banker has described as the first example of a forelgn multinational putting a value on a Turkish brand name. Corn Products of the US, owner of the Knorr soup brand name, has bought out its local partner, in this case another Koc company. Coca-Cola is seeking to acquire its local bottling operations. Cargill of the

It was so successful that now it is the Turkish word for margarine

US has acquired the Vanikoy glucose operation. "If you want to move ahead aggressively. then the only way is to acquire the competition," says a lead-ing foreign food concern.

In the early days food proces sors were vertical operations where the manufacturer was often involved in everything from seed production, through cultivation to packaging and marketing. The export sector was and still is largely in intermediate goods, many of which end up back on Turkish shop shelves as finished products. In the dry goods sector, Uni-

lever was very much the pioneer. From just two products in 1950, today the range covers some 100 hrands. Unilevar enjoys a unique position in the market with a sales team of more than 400, supplying some 2,600 wholesalers and almost a third of Turkey's 180,000 small retail outlets or bakkals.

in 1990, Sana, Unilever's sunflower oil and one of its original brands, was the company's largest single product worldwide. Such was its initial success that sana is now the Turkish word for margarine. "Ten years ago when a housewife went to her local sbop, she would ask for Sana not as a brand but as a product name,

says Mr Takşin Tuglular, tech-nical director of Unilever Foods Turkey.

Today, Unilever makes sales of \$800m and is the largest food company in Turkey, with a dominant position in margarines and liquid oils. It has recently launched its Algida ice cream range.

It remains a tough market. Total demand for margarine is decreasing, as consumers switch to liquid oils. New entrants are also sharpening the competition. The Turkish consumer is becoming more choosy and as a result more importance is being placed on packaging and marketing. Unilever's production is still

targeted at the domestic market. However, around 10 per cent of output goes to exports. Its principal markets are in the Middle East, particularly Iraq, where Unilever is selling Vita. In the Black Sea countries, it sells its Aymar products, hut the company stresses this is relatively new territory.

Turkey has long been en exporter of hazelnuts and other agricultural products but the export of processed foods got under way only in the 1970s, when the Ecevit government gave incentives to farm co-operatives. This gave a spur to the frozen fruit and vegetable producers although a number operations subsequently failed through lack of capital.

A good exampla is tomato paste where Heinz of the US, offering technical assistance in exchange, sourced some of its material locally. Turkey is now the world's third largest producer, after the US and Italy. It is also the largest supplier to the Japanese market. Indeed Japan's Kagome and Sumitomo now have equity stakes in the Koc group'a Tat Konserve, the largest local producer. But if the sector is really to

take off, there will also have to be significant new investment frozen distribution infrastructure. This is a vital con-straint on the fresh product business. It is also a factor to a producer like Unilever, particularly when launching a new product nationally, currently the best way to expand sales in the local market.

John Murray Brown

Profile: BULENT GULTEKIN

Needlework at the bank

than people realise," says Mr Bulent Gultekin, Turkey'a new central hank governor. And he should know. As one of the breed of international jet set economists, Mr Gultekin, when not teaching at Wharton School in the US. has spent the last three years advising the Poles, Uzbeks, Kszaks, Ukrainians

and Belarussians on how to do it. He is more outlimistic about Turkey's prospects however. "In eastern Europe, you go in a good mood and come out depressed. When you come to Istanbul, even after Vienna, this is a metropolis. It has the same liveliness as Hong Kong, Shanghai, Kuala Lumpur or Jakarta. The lenders and creditors always look at the current account. The institutions, the equity investors, they notice this vibrancy."

Mr Gultekin brings a wealth of experience to the job. A one-time adviser to the World Bank, the ERRD, the United Nations Development Office and the US Agency for International Development, he first came to prominence in Turkey as a pivotal figure in the late Mr Turgut Ozal's economic reforms in the mid-1980s, running the newly created privatisation agency.

He remembers drafting a study on

The lure of cheap holidays in

Turkey has been severely diminished by this year's spate of kidnappings and bombings

Visitors to Turkey

plummeted from 2.8m to 2.2m

in the peak months of July, August and Septambar,

eccording to government

figures. Earnings for the year

are likely to be well below

expectations and short of last

"Terrorism has seriously

undermined revenues from

tourism," says one western

diplomat in Ankara. "The

government had hoped for

\$6bn from tourism this year.

That is likely to be halved because of the PKK (Kurdish

Tourism is still one of

Turkey's biggest single foreign

exchange earners. Last year,

the country took a 1.3 per cent

share of the world's \$279bn

income from tourism. And the

government says it believes

earnings will pick up again

year," says Ms Ayse Feylzoglu, of the Turkish tourism

"I am cautious about this

separatist group]."

next year.

by Kurdish separatists.

year's \$3.6bn.

was still just an idea on Mr Ozal's drawing hoard. "Friends in the US thought we were a lot of science fiction writers. Now look at the market," he

Turkey, he believes, is at the second stage of reform. "The first stage was easy. All you needed was a politician of vision, pushing changes through by decree. We are now at the second stage. It requires somathing more like

"I'd never met Mrs Ciller before. I asked her whether she wanted a clerk or a governor". ...

needlework." ha says.

The choice of metaphor might seem appropriate as Mr Gultekin moves to forge a working relationship with Mrs Tansu Ciller, the prime minister never the easiest of tasks. When appointed, the Turkish press made life briefly uncomfortable, forcing him to renounce his US passport. His wife is en American.

The governor was very much a surprise choice to replace the a verb he would use, of course. ng-serving Mr Rusdn Saracogiu. It was a surprise to him, too. The first his

from the pages of the Financial Times. "I was on holiday in Turkey. I'd never met Mrs Ciller before. Within half an hour she'd offered me the job." When asked if he set any preconditions his reply is loaded: "I asked her whether she wanted a clerk or a governor."

He faces a difficult job. Mrs Ciller appears intent on bringing down interest rates, in a bid to reduce the government's debt service costs - even if it means renewed pressure on the lira. Since she took over in June, the depreciation of the currency has been accelerated and is now running at around 5 per cent a month compared with around 3 per cent in the first half of 1993. The bank reserves, while healthy at around \$80n, will need to be sustained to see off any unforeseen

Mr Gultekin is reluctant at this early stage to outline his plans for what he likes to call the banks' bank. But he has already shown his mettle, in the first week in November, successfully intervening to the time of \$800m to "stabilise" the currency. Although as a former World Bank adviser, this is not

John Murray Brown



Terrorist attacks frighten off visitors

Tourism revenue drops

ministry. "But in the long run I think the numbers should go

The industry has grown rapidly since the mid-1980s when the government set out to encouraga tourism hy improving the infrastructure, including roads, hotels and airport facilities, particularly along the Mediterranean and

Aegean coast.
"In 1987, we had only 65,000 hotel beds," says Ms Feyizoglu. Now there are more than 300,000, and facilities for a further 200,000 are under construction. In the next two to three years, we expect the number of foreign visitors to rise to 10m a year."

Earnings from tourism rose sharply between 1985 and 1990 as droves of visitors, mostly from western Europe, took up the promise of a cheap and exotic holiday, with good food and virtually guaranteed

Between 1985 and 1990 the number of foreigners visiting Turkey jumped from 2.5m to 5.4m, with receipts from tourism rising from \$1.5bu to

The rise was interrupted in

The Germans "fear reprisals after neo-Nazi attacks on Turks"

the aftermath of the Gulf War, when sarnings dropped to \$2.65bn in 1991. Last year, the numbers bounced back, with 7m visitors, producing receipts of \$3.6bm.

However, up to September this year Turkey had attracted only 5m foreign tourists. against 6.7m a year ago. The latest figures, coupled

travelling abroad, undermine government attempts to prove the country's balance of payments position with earnings from tourism. An estimated 3.2m Turks going abroad will reduce the net figure from tourism this year by \$950,000. Turks are expected to spend \$1bn on holidays abroad

Ms Feyizogiu says that Tur-key is making up some of the losses from Europe with a ris-ing number of visitors from the south-east Asia, in particular, from Japan. Last year, nearly 28,000 Japanese tourists visited Turkey, according to government figures, against 12,000 the year before.

After terrorist attacks on coastal reaorts and kidnappings of foreigners, the government has promised greater security at hotels and

other holiday accommodation. The slide in earnings has also prompted new minimum

regulations for the industry. Recession in Europe has discouraged visitors from abroad, says Ms Feyizoglu. The number of Germans, who account for the largest group of tourists in Turkey at about 12 per cent, has declined this year by more than 5 per cent. But officials say terrorist attacks are only part of the

"The Germans also fear reprisals after neo-Nazi attacks on Turks in Germany," says Ms Feyizoglu. "But no one here would contemplate such an act

of revenge." Wastern ambassies in Ankara, including those of the US, Germany and the UK, are still warning their citizens to staer clear of south-east Turkey, although not of the rest of the country.

Yet thousands of foreigners are staying eway, for whatever reason, and next year's official target of 8m visitors to Turkey may prove optimistic.

Sheila Jones

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	Sept. 30, 1993	Dec. 31, 1992
Total Assets	3,809	1,488
Total Loans	2,328	763
Total Deposits	1,812	687
Shareholders' Equity	359	162
Vet Interest Income	. 521	123
ncoma Before Taxes .	167	77
Net income	146	62

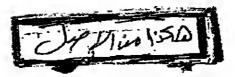
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BELGIAN BANKING AND FINANCE

Thursday November 25 1993

Belgium has long been home to the European Community's political institutions, but do the country's many financial institutions have the clout to survive and prosper in the competitive single market which 'Brussels' has created? Andrew Hill reports

An austerity route agreed

Since Belgium took over the presidency of the European Union in July, the country has often seemed like a storm-tossed miniature replica of the 12-nation community over which it presides until the end of next month. Belgian industry has been on the rack of recession, its sufferings exacerbated by fading competitiveness. Strikes have disrupted daily life; and per-

ceived weaknesses in the country's public finances - notably looming budget and social security deficits - have made the Belgian franc, once considered a surrogate for the D-Mark, a prey to fierce speculation on the bond and foreign exchange markets.

Sometimes the anthorities' only defence appears to have been to lash the currency to the D-Mark and hope for the squalls to blow out. But at a time when other European curreucies have cut free, and apparently profited from their iberty, that policy has itself heen hlamed for aggravating some of the country's prob-

Early on the morning of November 17, however, Belgium's coalition of Christian Democrats and socialists found what should prove to be a more constructive way out of their difficulties. After weeks of wrangling, and in spite of the abandonment of the original-three-way talks with ing interest rates. The plan unions and employers, minis should improve both those. unions and employers, ministers finally agreed an austerity blan - a series of measures to limit social spending and wage increases, improve competitiveness and tackle unemployment. It is easily the most gramme in Belgium since the

second world war. The plan - inevitably compared to the European Commission's planned white paper on competitiveness, growth and employment, due to be presented at next month's Brussels summit of EU leaders - had an instant and dramatic impact on the financial markets. The Belgian central bank responded immediately with a bigger than expected cut in leading interest rates; the. Bel-20 index of leading Belgian stocks rose sharply; the yield gap between Belgian franc and D-Mark denominated bonds narrowed; the franc itself

The Belgian coalition which constructed the plan in the teeth of actual and threatened strike action - will be justifiably pleased with this reacwhether the short-term market rally can be sustained and the risk of continuing industrial action by unions seen off. What, then, will be the medi-

um-term impact on Belgium's public and private finances? Belgian public finances are overshadowed by debt which stands at more than 120 per cent of gross domestic product. Gradual cuts in interest rates will fit in well with the government's existing strategy to reduce the cost of its borrowing hy refinancing its debt. Cuts of about BFr75bn in spending on health benefits, family allowances and pen-

sions will also help restrict the

overall rise in borrowing. The austerity plan will also strengthen Belgium's chances of meeting the goals set out in its programme for convergence with other EU economies. The government's own forecast of how Belgium will meet the Maastricht treaty target of cut-ting its budget deficit from 6.9 to 3 per cent of GDP by 1996 depends on a delicate balance between GDP growth and fall-

The impact on private sector savings is more difficult to predict. Included in the plan partly as a way of offsetting the edginess of socialist coalition partners about cuts in raising measures which could penalise certain investments. For example, the government plans to increase withholding tax on interest income from 10.3 per cent to 13.4 per cent, while withholding tax on dividends should come down from

25 per cent to 13.4 per cent. The question of withholding tax is particularly sensitive for Belgium's financial sector, which in the past has lost savings business to neighbouring Luxembourg with its limited taxes and banking secrecy laws. One of the original

The insurance market

Push comes to shove



The Génèrale de Banque, in the centre of Brussels, is one of Belgium's 'big three' private commercial banks - the others are Banque Bruxelles Lambert (BBL) and Kredietbank Jony

recommendations of the experts who laid the groundwork for the austerity plan was that Belgium should find s way to accelerate plans for Europe-wide harmonisation of withholding tax, but that seems no more than a long-term objective.

A more reliable, and quicker way for Belgian banks to overcome the attractions of the Grand Duchy (most of them have profitable Luxembourg subsidiaries too) is to find new means of persuading the wealthy ordinary Belgian to invest at home.

"Ordinary" Belgian hank customers are not small fry. A recent survey showed that with average savings of BFr600,000, Belgians lagged behind only the inhahitants of Switzerland, Japan and Singapore as savers. Separate surveys show that at the end of 1991, Belgian households topped the world league with net household savings taking up 17 per cent of disposable

Belgians are also extremely well off for banking branches. and daily banking transactions have attained a sophistication which is only just being matched by many other Euro-pean countries. A nationwide system of cash and dehit cards - many linked to the Eurocheque network - means that Belgians can pay for goods at most retail outlets with just a card and their personal code number. In some cases, most notably at petrol stations, the outlet does not even have to be

manned.

Paradoxically, however, although the big banks provide blanket service, with hranches in every village, their bid to persuade cautions cus-

tomers to branch ont into

investments more complex

than low-interest savings

accounts is relatively recent.

Liberalisatioo and increasing competition - both at an EU and national level - is beginning to open up the market and all the main participants in Belgium's private financial sector are trying to get

For example, the Brussels

stock exchange is trying to promote the attractions of ordinary shares - likely to he helped by the proposed reduc-tion in withholding tax on dividends - while listing new prod-

ucts such as warrants. Belfox, the growing futures and options exchange, has a

nationwide roadshow aimed at persuading more sophisticated Belgian investors to switch some savings out of low-interest accounts into stock options. Banks, meanwhile, have expanded their range of high-

interest accounts, and offer a

widening range of Sicays, a

form of unit trust for shares, bonds or currency. They are also rapidly branching out into the potentially lucrative field the state's comparatively generous pension benefits, the austerity plan may help sccelerate process by persuading more Belgians that it is worth investing in simple life insurance products, sold through the dense banking network.
As Mr Valère Croes, a direc-

tor of Fortis, the Belgian-Dutch financial services group, says: "Total saving is as high or even higher than in other countries, hut the share of life insurance isn't high enough."

This is where analysts expect most changes to take place. Fortis recently stole a march on its competitors by huying half of CGER-ASLK, a network of savings and insur-ance branches, from the government, in the first stage of a modest BFr85m four-year privatisation programme.

But both insurers and bank ers say existing competition between companies already established on the Belgian market will make it difficult for foreign financial institutions to set up from scratch The privatisation programme focused at the moment oo state-owned credit institutions is one way into Belgian financial services for outsiders. The rapid evolution of financial services in Belgium is unlikely to slacken off, even if last week's austerity plan is ooly partially implemented. But if the Belgian government does indeed manage to turn what looked like becoming a winter of discontent into a glorious summer of economic

revival, Belgian bankiog and

finance can only benefit.

Interim Results

On course for a twofold increase in profits

In spite of the continuing poor economic climate, the first six BALANCE-SHEET FIGURES confirm the expected return of the Bank to a situation which places it firmly back on the road of its previous development.

Non-Consolidated **Balance-Sheet Figures**

Amidst a modest increase in the balance-sheet total (+4.41%), customers' deposits inclusive of certificates of deposit, increased considerably (+7.86%).

Despite the difficulties confronting the economy, the growth in customers' loans (+4.43%) was satisfactory, with greater attention being paid to quality rather than the size of the portfolio, for obvious

The increase in loans to the Belgian public sector was particularly rignificant (+21.27%).

Final mention should be made of the continuing reinforcement of the Bank's shareholders' funds. Within the increase of BEF 2,166 million (up by 3.59% from BEF 60,254 million to BEF 62,420 million) recorded by shareholders' funds in the strict sense of the term, much of this (BEF 1,649 million) is attributable to the exercise of the optional stock dividend, chosen by 93.3 % of shareholders, whilst the remainder, BEF 517 million, results from the allocation to reserves as decided by the Annual General Meeting of Shareholders held on April 28, 1993. Inclusive of subordinated loans, total shareholders' funds and assimilated items increased from BEF 95.483 million to BEF 96,733 million, an increase of 1.31%.

Non-Consolidated Results Increasing by 8.46%, interest

income progressed significantly. The increase in sundry income results mainly from the capital gains earned on public sector bonds and from the considerable increase in other forms of financial income.

Increasing by 9.54%, operating costs reflected a charge of BEF 1,373.8 million made to cover the payment of holiday pay to personnel associated social security payments and the effect caused by the change in the closing date of the social year. Ignoring these nonrecurrent items, the increase in operating costs was no greater than

With regard to depreciation, write downs in value and provisions, the increase in depreciation dinated loans (BEF 38.9 billion), Switzerland, the recovery of New

Non-consolidated Consolidated (in BEF billions) figures figures 31/12/92 30/06/93 Change 30/06/93 2.301.6 4.41% 2.615.3 Balance-sheet total 2,204.4 Customers' deposits 1,125.5 1,214.0 + 7.86% 1,425.8 Deposits made by credit institutions 873.0 3.06% 948.4 990.5 Customers' loans 853.0 890.8 + 4.43%

Loans to the public sector 492.1 + 21,27% 569.5 405.8 - 2.20% 895.2 Loans to credit institutions 772.0 755.0 Shareholders' funds 62.4 + 3.59% 63.9 PROFIT AND LOSS ACCOUNT (in BEF millions) figures figures ' first half 1991-92 2 Change 1993 1993 Net interest income 17,302.2 18,765.9 8.46% 21,883.4 + Sundry income 7,052.9 10,995.6 55.90% 14,641.2 Overheads - recurrent 17,524.4 17,821.6 1.69% exceptional 1,373.8 - 17.524.4 + 9.54% - 22,576.3 - 19,195.4 total

= Operating profit 6,830.7 = 10,566.1 + 54.69% = 13.948.3 Depreciation, write downs in value and provisions + 14.38% 1.407.2 on tangible fixed assets 1,609.5 3.182.6 · on loans and financial investments 6,054.2 4,751.5 - 21.52% 6,199.6 1,018.6 1,756.3 11,138.5 • total 7,461.4 7,379.6 - 1.10% Write-back of amounts written off 618.9 - 59.79% 2,371.3 1,539.3 993 303.5 ± Other exceptional income/charges 59.7 968.3 3,706.1 4,877.6 ≈ Profit before taxes + 282.74% +100.50% 3,052.6 2,457.3

New regulations applicable to the annual accounts of credit matinations, in force since January 1, 1993, have brought important change

New regulations applicable to the annual accounts or occur manuscum, as areas many passes, an account of the committee of the

Bank's head office; write downs in the end of the period came to 8.40%, the value of loans and investments compared with 8.27% as at 31.12.92. declined by 21.52%, even though, in the current economic climate, the Consolidated Results Bank continues to favour a policy of extreme prudence. Other items include, for the most part, provisions made, in accordance with recent legal requirements, to cover additional pension payments made to members of staff who chose early

Taking into account corporation tax, net profit amounted to BEF 2.457.3 million, compared with BEF 1,225.6 million, an increase of 100.50%.

ularly due to the extension of the

Consolidated

Balance-Sheet Figures Shareholders' funds in the strict sense of the term amounted to

BEF 63.9 billion; inclusive of subor-

Net consolidated profit amounted to BEF 3,110.9 million. After deduction of minority interests amounting to BEF 58.3 million, Group net profit came to BEF 3,052.6 million, an increase of 109.38% compared with BEF 1,457.9 million, calculated

as six fifteenths of net profit record-

ed as at December 31, 1992. Foreign network

The recovery plan adopted by the Executive Committee to turn around the performance of certain foreign offices is achieving its objec-

Particular mention should be made of the performance of BBL

of fixed assets (+1438%) was partic-shareholders' funds and assimilated. York and the gradual improvement items amounted to BEF 102.8 billion. of London; BBL France has returned The solvency or Cooke ratio, at to an operating profit; Crédit Européen continues, as in previous years, with an overall expansion yielding remarkable results.

Save unforeseen events, a twofold increase in net profit, fixed by the Bank as the main objective for the current financial year, is at-



Nudged and prodded by new

European Community rules, the Releian insurance market is edging into the harsh light of liberalisation. The transformation is likely

to be dramatic. Until recently, the country's insurance control authorities had to vet tariffs and conditions before a new policy could be launched, limiting insurers' creativity. Unit-linked life insurance policies were not allowed. Motor insurance tariffs were

among the most rigid in Europe: until last year a 22-year-old boy-racer burning up the back streets of Brussels roughest quartier was subject to roughly the same tariffs and conditions as a 53-year-old spinster poodling round the With the EC already framing

legislation to liberalise the insurance market, a "round table" of all those involved in the Belgian insurance market was convened in 1990, with the objective of laying the foundation for deregulation in Belgium. The result has been a pile of technical and fiscal reform, coming on top of the **EC** liberalisation programme which comes into full effect in the middle of next year.

There are still teething problems. The non-life sector is barely profitable, and most large Belgian insurers agree that the Belgian authorities will have to allow greater increases in fire and car insurance premiums. At the same time, the right to discriminate between car insurance policybolders has created an underclass of high-risk drivers who

Bolgian hieufance market

Other 3rd party Insu

As a result of years of rigid controls, the insurance market is strangely underdeveloped compared with the rest of northern Enrope. Whethar expressed in terms of premium per inhabitant, or as a share of gross national product, the Belgian insurance sector is less than half as important as the British market, and lags behind its French, Dutch and German counterparts.

Belgium's extensive system of social security and pensions also means that the market for life insurance has not developed as quickly. Life busine represents only a third of the BFr330bn of premium income in Belgium, compared with 55 per cent in the Netherlands. Insurance brokers - the principal distribution network in Relgium - have tended to concentrate on the sale of non-life

But although Belglum is a small country, it is also a comparatively wealthy one. Belgians are among the world's biggest savers (up there with

The state of the s

the Japanese and the Swiss). "One can take a pessimistic or an optimistic view," says Mr Wantier Rohyns of the UPEA, trade association of the Belgian insurance industry. "There's not a lot of insurance awareness among the Belgian public - but compared with surrounding countries there's plenty of room for development of the Belgian market."

mean that Belgium is waiting to be consumed by powerful outsiders. In fact, other than insurance companies linked to trade unions or political parties, most of the 250 or so insurers operating in Belgium are either subsidiaries of, or already have strong links with groups outside the country.

Belgium's two largest quoted insurers are AG and Royale Beige. AG is part of the Fortis joint venture with Amey, the Dutch financial ser-

Continued on Page 3

stock exchange building. which dates from 1873, is home to two very different

Most of the 20,000 sq m in the centre of Belgium's capital is used by the venerable stock exchange. Mr Henri Servais, its dapper, bow tie-wearing new president, is under no illusions about the task which faces him. The stock exchange is still an old gentleman's club," he says. "It's very difficult to get them to accept changes and

Sharing the premises - with a meagre 200 sq m or so - is Belfox, the country's fledgling futures and options market. Since its launch two years ago it has had to face a series of changes and challenges, rang-ing from computer breakdown to debilitating lack of volume

and liquidity.
Now, Mr Jos Schmitt, Belfox general manager, says the aschange has emerged as one of Europe's strongest, most efficient and least costly futures and options markets. As proof, Belfox has just announced that it reached its profit target for 1993 by the end

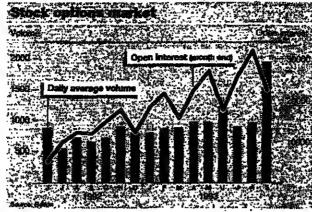
That does not mean that the exchange is growing complacent. As part of a new marketing drive. Mr Schmitt and his Backed by the old bourse, the new futures and options market has proved itself, writes Andrew Hill

Belfox thrives in the gentleman's club

ered nearly 200 presentations all round Belgium by the end of the year, explaining, in par-ticular, how stock options work. Belfox has added a series of options on other stocks to its original limited choice and continues to expand

The interest of Belgium's sophisticated private investors is heartening for the Belfox management, but much more encouraging has been this year's spectacular recovery of professional trade in futures. The future on the benchmark Belgian government bond (BGB) was supposed to be one of the central planks of Belfox's success, but by August last year trade was so thin that a "gentleman's agreement" had to be arranged between 15 financial institutions to underpin the contract.

Happily for Belfox, when the expired in January, agreement expired in January, the BGB future continued to flourish, benefiting, together with the future offered on the three-month Belgian interbank offered rate (Bibor), from an



unusually turbulent year for the Belgian government and currency. "Turmoil is very good for us," points out Mr Schmitt, "not so much for the volume itself, but because these periods make people try to use our contracts."

Belfox has also experienced particular success with its option on the Bel-20 index of most beavily traded stocks. The exchange had anticipated that some 500 contracts would

be traded daily, and hoped for 1,000 a day. In fact, volume has started to average 2,000 contracts a day, and is regularly breaking its own daily records. A Bel-20 future has just been added to Belfox's list of

The stock exchange has also caught the trend for new investment products, listing warrants on the Bel-20, and offering professional investors offering processional investors an easy way of hedging their risks, by promoting "Belix", a basket of Bel-20 stocks, weighted in the same way as

rivalry between landlord and tenant. After all, Belfox would never have existed without the But Mr Servais says the bourse is waithing carefully to ensure that its products do not overiap with those of Belfox - and

It would be understandable if the stock exchange were a lit-tle envious of Belfox's apparent success. The bourse has always been plagued by lack of volume and liquidity, and although this year's 25 per cent increase in share values to record levels looks impressive, Brussels is still underperform-

ing its main European rivals.

Mr Servais knows that the bourse has a lot more to lose than Belfox, and he is acutely conscious of the challenges leagues on the stock exchange council, and on other European stock exchanges, of the dangers of complacency in the dangers of complacen face of European legislation which could crack open the

nan's club. The investment services directive - which comes into cosy situation in which most tment in Belgian stocks is funnelled through the 30 members of the bourse. A large pro-portion of business in the most heavily traded shares is already handled by London-based Sead international, but Mr Servais says that from 1996 such new "regulated markets" based on telephone trading will be even better placed to win

Mr Servais is convinced that there will always be a need for "traditional," continental-style stock exchanges, particularly as a safety net during difficult-trading periods. His problem is persuading his fellow brokers action must be taken. "We need to be able to offer an excellent service, at a low price, or we will disappear in favour of other regulated mar-

With the 1996 deadline in mind, the stock exchange is trying to reform itself. For nple, Mr Servais is fighting internal opposition to linking up the exchange's trading and aring computer systems. At the sams time, the etock exchange is pursuing limited deregulation of commissions, which it believes will make large trades cheaper, while avoiding an increase in the

sure to remove the tax on transactions by foreign inves tors, and Mr Servais is examining ways in which to diffuse stock exchange prices more efficiently to the public one possibility is a formal link with one of Belgium's financial

newspapers. Belfox, meanwhile, is also its appeal foreign banks and brokers will be allowed to participate directly in the futures and options market; the fee structure will be relaxed and the definition of Belfox products will be formally widened to allow new instruments to be traded.

In spite of the growing pres sure from rival markets, both Mr Schmitt and Mr Servais are confident that they can attract new investors, if preparations for a new era of liberalised ment are made now.

To illustrate the point, Mr Servais brandishes a recent report showing that US fund managers increased their investments overseas by \$460n in the first half of 1993 to nearly \$200n. Brussels' market capitalisation may represent only 0.7 per cent of world stock market capitalisation, but, as Mr Servals points out, eyes gleaming, a 0.7 per cent hare of that US overseas investment would account for about a third of the bourse's

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KREDIETBANK

Lionel Barber reviews the property market

Difficult times ahead

It ranks as the most expensive building in Europe. Shaped like a gigantic glass juke box. the new European Parliament headquarters is known in Brussels as the Caprice des Dieux - a French pun which refers to the oval shape of the roof, a brand of cheese, as well as to its folly.

The Parliament's futuristic headquarters is a monument to a bygone era of grand political igns. Its BFr40bn price tag is out of step with today's more sober expectations about the pace of integration in Europe, but it also matches the new mood of austerity in the Bel-

gian property market.

After the Roaring Eighties, when development and rents expanded at breakneck speed, Belgium is experiencing stag-nation in the property market. Brussels boom will not be followed by bust, in London or New York style, mainly because built-in "stabilisers" are offered by the presence of European institutions, the Belgian national government, and the 19 Brussels communes. Still, there is a nagging feeling that the good times are unlikely to return any tims

one to two years, says Mr Jean-Claude Vandecauter, general manager of the Brussels office of Knight, Frank and Rutley.

Mr John Travers, senior partner with Healey & Baker in Belgium, agrees: "Yields on property are good, but growth is less good. We are going to have a difficult two to three Years."

Experts compare the present slackness to the period imme-diately after the first oil shock in 1973. This led to a period of slow growth from 1975 to 1985, characterised by a slump in office rentals and a rise in

What is striking is how the upturn which followed in the mid-to-late 1980s coincided with a fresh political impetus given by the 1992 single market programme. Thus, in the period between 1985 and 1991. rent levels increased at an annual rate of between 12 and

investment at Richard Ellis, European Parliament - with believes that rents have dropped as much as between 5 and 10 per cent since the top of the market in late 1991. He quotes BFr8250 and BFr8500 per sq m. "There is still a little

slippage likely next year, but market. Austria, Finland, Sweden, and Norway are seeking not much more than 10 per cent," says Mr Ray. Availability tells a similarly to enter the KU by January I, bleak story. As recently as 18 1995. If they succeed, there will months ago, availability in the an immediate requirement for lators - and more office space. "It is a psychological boost," says Mr Vandecauter.

On the other hand, international institutions are not the dominant players in the Brusaccount for about 16 per cent of office occupation. Belgian state (30 per cent), interna-tional private sector (24 per cent) and Belgian private sector (28 per cent) all have a big-

Pre 1970 buildings

In the longer term, the for-mer European Community occupied 490,000 square feet only 15 years ago; today, it occupies 1m square feet. In 15 years, some experts put the requirement as high as 3m square feet.

light of the Belgian property market this year was the open-ing of the country's largest out of town shopping centre at

a 14,000 sq m hypermarket. Mr Travers says that foreign retailers are moving into Belgium at an impressive rate. Recent newcomers include Henness & Mauritz, the Swedish clothes chain, and Zara, a Spanish competitor. They follow in the footsteps of some important French and Dutch

However difficult the present market, the longer-term outlook seems assured. Even though building and development will not be on the scale of the European Parliament complex, the fundamentals look fairly strong.

Wijnegem, near Antwerp.

It contains 170 shops spread last 20 years in Beigium. "I sels letting market - they only over 37,000 sq m, together with believe in Brussels," he says.

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capital was as low as 2.5 per cent. But according to January figures. 6.4 per cent of office space was now available for rent. In the summer of 1993, it rose to 7 per cent. It could rise to 8.5 per cent in 1994. Mr Philippe Winssinger,

managing director of Debenham, Tewson, Winssinger, explains: "There is less demand. Corporate profits are stagnant, so the first place companies look to cut costs is office space and personnel." He cites examples such as the recent restructuring ordered by IBM and Wang, two important computer employers in Belgium, as well as Société

industrial holding company.

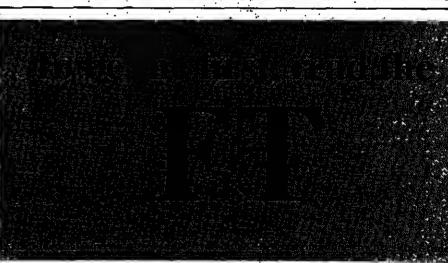
Aside from the recession, the strict urban planning policy of Mr Charles Picqué, ministerpresident of the Brussels-captial region has restricted development. The policy has, however, helped to support rents; and most developers recognise that there is no chance of "We face a difficult period of returning to the late 1980s, when many of the capital's historic areas were torn down in a free-for-all which reflected as badly on the politicians and

planners as on the developers. Today, one of the built-in insurances is the continuing expansion of the European Commission. Though the Commission is not taking up availability at its former rate, it is still on the look-out for places to put fonctionnaires displaced from its Berlaymont headquarters, which remains an empty shell awaiting renovation. The Quartier Leopold area still

looks a good long-term bet. Yet the present difficulties should not be exaggerated. Healey & Baker's recent survey of the European property market placed Brussels in a strong fourth position behind London, Paris and Frankfurt.

Brussels continues to be seen as the most important political centre in Europe, boasting not only the the Commission but 15 per cent a year. also the Council of Ministers, Mr Richard Ray, manager of the Council Secretariat and the all the attendant lobbyists and lawyers.

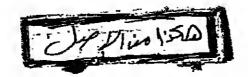
The addition of new members to the newly-formed European Union over the next decade will also maintain



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١	DUISBURO				ZWEVEGEM



emphasis on cutting costs, on

profitability, and on boosting capital ratios to ease access to

cheaper working funds. Costs across the sector have dropped

from 76 per cent of net earn-ings in 1980 to 66 per cent last

year. Despite the recession, all

three big banks reported dou-

ble digit increases in consoli-

deted net profits for the first

Most banks have opted to

consolidate a strong domestic

customer base (where margins

are higher, partly because of generalised repricing of credit

and new charges on custom-

ers), and to generate more non

retail income in areas opened

up by deregulation (although

Most institutions are devel-

oping a sizeable fee earning base in equity dealing (some 20

brokers are now linked to

banks); in foreign exchange

transactions; in swaps and

futures; in new products like Sicavs (a kind of unit trust);

and most visibly in insurance.

CGER, for example, sur

prised the market by consoli-

dating its bancassurance strat-

egy through a link-up with

Fortis, the Dntch-Belgien

financial services group. It has bought half the savings

The move contrasts with

unconsummated attempts by

bigger players to establish

supra-regional financial ser-

vices groups: Génèrale de

Banque's proposed link np

with Amro of the Netherlands

foundered in 1989, while BBL

abandoned advanced discus-

sions last year to ally with Internationale Nederlanden

Groep (ING), the Dutch bank-

BBL has since opted to pur-

sue insurance links with Roy-ale Belge of Belgium, and Win-terthur of Switzerland. Kredietbank bas its own insur-

In the rest of the sector, the

Government's privatisation

programme could produce new partnerships, on the CGER-Fortis model. Mr Martin of

ABB argues: "What we've seen

with CGER could happen with

others, drawing in not only the

Belgian private sector, but for-

eign [credit and insurance]

ance division.

institutions too."

ing and insurance company.

group's equity.

margins are keener).

half of this year.

David Gardner investigates the banking sector

Not so cosy as it was

market, together with domestic reforms to adjust to it, have forced Belgium's traditionally cosy banking system to take a cold look at itself. But the changes set in train are "creeping and discreet", as Mr Georges Martin, head of the research department at the Association Belge des Banques (ABB), puts it.

The trend is not so much to seek the protection and weight of mergers and alliances as to look ruthlessly at items such as costs, asset and liability management, new sources of income, pricing, and improve risk management and provi-Such alliances as are begin-

ning to emerge - or be mooted

- in response to competition between the biggest players. They normally take the form of setting up Bancassurance or Alifinanz groups, selling banking and insurance products. Almost no one in the sector foresees large-scale mergers. The larger players are too like each other, attempting to provide a universal banking service strongly rooted in the Belgian (or at most the supra-regional) market, encompassing the Benelux countries and bits of France and Germany. The entry of more aggressive outsiders such as Credit Lyon-

uring of the sector as a result. Competition in the Belgian banking sector is not new, but it is growing. There are now 90 banks - only 23 of them with a majority Belgian interest - as well as a clutch of powerful private savings banks and public credit institutions providing the most dense branch net-

nais, offering higher interest rates, has shaken some of the

complacency. But there is little

sign of any significant restruct-

work in Europe. Top of the league in consolidated balance sheet terms are the Big Three private commercial banks; Génèrale de Banque, Banque Bruxelles Lambert (BBL), and Kredietbank, These are closely trailed by Credit Communal, jointly owned by all Belgium's provinces and municipalities, and ASLK-CGER, the state-owned savings bank which has been recently balf privatised.

Until the end of the 1980s. banks in Belgium could rely on earning high bond yields from a government already welllaunched into a serious public indebtedness problem (see article on bonds), while paying out relatively low interest on a very high stock of private savings, big chunks of which were regulated.

Belgium's savings profile was and remains an important part of the rationale behind maintaining a branch network which would raise boardroom eyebrows elsewhere.

hyternational cor	nparison of	household:	eavings ratio	s In %	
A SECTION OF THE SECT	1980	1985	1989	1990	1991
Belgium	16.2	11.5	14.4	15,1	17.0
italy -	21.6	18.0	14.4	16.1	15.6
Japan	17.9	15.6	14.2	14.1	14.6
Austria	10.4	8.3	12.5	13.3	12.8
Germany	13.0	11.4	12.5	12.4	12.6
France 2	17.6	14.0	11.6	12.2	12,6
Switzerland	3.3	5.7	11.2	12.0	12.5
UK *	13.3	10.6	7.1	8.3	.8
US .	8.1	6,6	4.7	4.5	4.9
Sweden	4.8	1.7	-3.8	-1.2	1.9
Netherlands	0.7	2.0	4.2	6.5	0.6

Source: Seigen Surfers Association. (1) Not household studings as a precentage of their disposable income (2) Gross household sevings

World rankings of Belgian credit institutions			
institution	Consolidated balance sheet local	Capital &	Net pre-tar
Générale de Banque	73	100	. 84
BBL Bank Brussels Lambert	90 .	146	189
Kredietbenk Gemeetekrediet-Grédit	97	129	115
Communal	98	220	213
NSLK-COER Bank "	108	192	322
CERA Savings Bank	213	190	374
SACOB Savings Bank	245	. 301	554
Vational industrial Credit Co	.269	594	793
Anhyp Savings Bank	451	437	597
ope Bank	479	786	747

At the end of 1991, net household savings in Belgium as a portion of disposable income was 17 per cent. This is a ratio even higher even than 14.6 per cent in Japan, 126 per cent in Germany; 9.8 per cent (for gross household savings) in the UK; 49 per cent in the US.

Between a quarter and a third of these deposits, depending on the type of credit institution, were remunerated at a low fixed net interest rate. These accounts, originally designed to find low-cost public housing, were attractive to savers because in exchange they were exempted from a stiff withholding tax.

The number of branches climbed to nearly 9,000, raising the number of accounts per 100 inhabitants from 26.5 in 1965 to 97.9 in 1991. Belgium, not a sparsely populated country, now provides a branch for every 742 illuminates against, say, one for every 1,839 people in the Netherlands or one for every 1,385 people in the UK. Belgian bankers, in the

main, resist suggestions that this is over-branching, much less overstaffing. Each branch employs between a third and a quarter of the staff numbers common in Europe, and banks have invested heavily in automation. Since 1980, total statt costs have nearly doubled but ABH figures show that net Interest margins overall profit in the sector as a whole have declined sharply, from an hand in hand with increased

competition. -One leading economist in the sector underlines the point per cent.
that judgment of risk is more As a re-

accurate at this grass-roots level, and that, for the Big Three as much as the savings banks, a strong domestic base is essential. Mr Eric Pollefitet head of Krediethank's information department, says: "We want to be a universal bank in the Belgian market, and to do that you have to present in

every village." Nevertheless, deregulation at European and domestic level is forcing changes. The govern-ment'e 1990 decision to slash withholding tax from 25 to 10 per cent has sucked savings back into Belgium from tax havens such as neighbouring Luxembourg, but it has also sharply reduced the pool of cheap regulated deposits. As a portion of all deposits, the latter have fallen from 24.8 per cent in 1990 to 13.2 per cent in 1992 for the banks, and from 46 per cent to 28.8 per cent over the same period for private savings banks.

At the same time as this big shift from low to high-yielding deposits, the government is aggressively repricing large chunks of its debt, moving it into longer-term bonds, and eating into bank margins, Most banks are now expecting to get about a tenth of their earnings from financing the government, against nearly a third barely five years ago.

has more than quadrupled. average 3.2 per cent in 1970 to Increased branching has gone 1.4 per cent in 1992. This goes well beyond similar slides across the European Union, where the average remains 2.1

As a result, there is new

A fter a very tough 12 months, during which the turmoil on Europe's currency markets battered the Belgian franc and Belgium's bond market, there are signs that the Belgian Government's management of its huge public debt is moving back on to an

What is widely perceived by the markets and the Belgian political class as a significant breakthrough came in the early hours of November 17. It was then that the Centre-Left coalition led by Mr Jean-Luc Dehaene, the Belgian prime minister, agreed on a package to rein in budget and sociel security deficits, increase industrial competitiveness, and freeze wages in

real terms until 1996. The bourse rose immediately; short-term interest rates were cut by more than a full percentage point; the franc strengthened, and the the risk premium which the government has to pay on its paper,

The public debt mountain, equivalent to between 125 and 130 per cent of Belgium's gross nestic product depending on the method of consolidation chosen, still towers over a hasically strong, high-productivity. export-oriented economy.

But there are now grounds for believing that the govern-ment's franc fort policy of shadowing the D-mark, and the renewed effort to get a grip on public finances, could pay off. When the storms in the European exchange rete mech-anism (ERM) first broke in September 1992, the Belgian

franc weathered them well The frame fort policy had earned Belgium the right to be considered part of the "hard core" inside the ERM, alongside Germany, France, the Netherlands and Luxembourg (with which Belgium has a 71year old currency union).

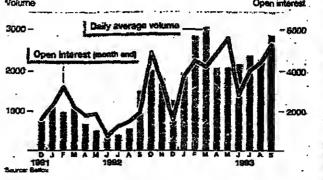
Over the previous year and a half, the Belgian franc had strayed no further than 0.06 out of alignment with the D-mark, and the narrowing of interest rate differentials with Germany was almost complete. At one stage, Belgian short-term retes of interest even dipped below the German

.The size of the public debt stock - at ebout \$200bn remained a problem.

The public debt stock is

more than double the debt-to-GDP ratio of 60 per cent indicated in the Maastricht criteria were rising. for those European Union

Belgian Government Bond futures market



Bonds took a bashing - but debt is becoming manageable

'Franc fort' may pay off after all member states seeking to creout that in the depths of suc

ate a single currency by the end of the century. Annual interest payments to service the debt eat up an unsustainable 11 per cent of GDP.

Thus, even though the "primary" budget balance (exclusive of interest payments) was turned round, over the decade 1981 to 1991, from a deficit of 5.5 per cent of GDP to e surplus of 4.1 per cent, the actual deficit, after the interest bill, was reduced from 13.3 per cent to only 6.3 per cent - again,

double the Maastricht criterion

out that in the depths of such a recession its primary surplus was actually rising, heading on latest Finance Ministry estimates for 4.5 per cent this year.

"The feeling was, it's as good as the D-mark, except you get e premium," summarises Mr Peter Praet, chief economist at Belgium's leading bank, Génèrale de Banque.
But after the de facto implo-

sion of the ERM this August, sentiment changed. Investors in government bonds, particularly from outside Belgium, "wondered how they could buy

As European recession deepened, tax takes shrank, and deficits increased, Belgium could point out that its primary surplus was actually rising

of 3 per cent. As long as the deficit was

moving in the right direction, however, Belgium's partners and the markets perceived the debt stock as a hangover. In January this year, for

instance, the yield on 10-year Belgian benchmark bonds narrowed to 40 basis points against their German equivalent, compared to 120 basis points in August 1992, just before the first ERM crisis.

The 1992 budget deficit had climbed to BF7485bn, or 6.9 per cent of GDP. But throughout Europe, as recession deepened, unemployment costs rose and the tax take shrank, deficits

peper from a country with such e high public debt," says Mr Praet.

Throughout September and October, the central bank had to fight hard to maintain the credibility of the franc fort against market conviction that the authorities - in Belgium as in France - could not sustain the high interest rates needed to keep the link with the D-mark.

The psychological low point came at the beginning of Octo-ber when Luxembourg held its first public bond auction. Belgium's currency union partner offered a substantially lower coupon on 10-year bonds, even were rising. though the Luxembourg and Belgium could justly point Belgian francs are interchange-

able. Speculation flared that Luxembourg was steeling itself to break the link with Belgium. But despite the dent to the

credibility of Belgian bonds, the market was surprisingly resilient. "It was tested in very difficult conditions and it proved to be liquid," Mr Praet

But nevertheless, the need to get a stabilisation package became all important, and Mr Dehaene, the Belgian prime minister, persevered even after the trade unions walked out of what was initially conceived as a tripartite pact between gov ernment, husiness and the

The precise financial details remain sketchy as this survey goes to press, but the Government appears to have found savings of BFr70bn on the social security budget - the estimated deficit for next year. And these savings will be recurrent through changes, for example, in eligibility for child

On the eve of the crunch cabinet meeting to finalise the package, the risk premium offered by Belgian 10-year bonds over German equivalents was 109 basis points; within hours of markets open ing the yield differential had narrowed to 90 basis points.

The package, moreover, reinforces the government's already well-advanced strategy of repricing its debt.

According to estimates prepared by Génèrale de Banque, this could save the Treasury the equivalent of 2 per cent of GDP a year. Some BFr2,000bn of short term debt, which is currently attracting implicit rates of just over 7.3 per cent, is being moved to longer matu-

More debt falling due between next year and 1996

will be similarly refinanced. Restored credibility in the bond market could win the government more leverage and yield further savings. That will be in addition to - as seems likely - about 2 per cent of GDP savings from the stabilis ation package agreed earlier this month.

It will be well into the next century before Belgian debt gets near the Maastricht debt stock criteria. But the emerging longer-term and cheaper profile of the debt will make it far easier to manage any intervening shocks.

David Gardner

The EU push comes to shove

Continued from Page 1

Royale Belge is controlled forced to pull out of the Belby UAP, the French insurer. Both AG and Royale Belge are gearing up for the chal-lenge of liberalisation. Mr Jean-Pierre Gerard, chief executive of Royale Belge, says the UAP connection means that his company will be "better protected" than many others once the single market in insurance is declared open

next summer. Mr Maurice Lippens, chairman and chief executive of AG, believes that competition is already so flerce that it will be very difficult for new com-panies to set up. Many smaller

.

gian market, he points out: it's all very well to have a nice map of the world and put flags all over it, but it just doesn't work, unless you have

a substantial percentage of the market and a back-up office." But that does not mean that the large insurers are resting on their laurels. Instead they are in a fierce battle for the life business and their main weapon is bancassurance. Most of the Belgian banks now have some links with the insurance sector. The principle is simple: to sell basic "stock" insurance products through ordinary

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units of large non-Belgian branches. Fire and life insur-companies have already been ance, for example, can be ance, for example, can be linked to more traditional banking products, ench as mortgages. The aim is to unlock some of those famous Belgian savings.

part of daily life, but going to put a question to an insurance broker is less common," points out Mr Robyns of the UPEA. The Belgian consumers' ciation is backing the ini-

tiative, and opposes plans for unnecessarily restrictive legislation which might oblige bank staff to become qualified insurance intermediaries. The would impose extra costs, deter the banks from entering the market, and drive customers back to the brokers, whose expertise in selling life prod-ucts has been much criticised. Fortis claims to have won itself a head start in this potentially incrative market by buying from the govern-

ment a 50 per cent stake in CGER-ASLE, a network of

banking and insurance branches, earlier this year. With CGER-ASLK already claiming 14 per cent of the Belgian market in personal life insurance, and Fortis adding a further 12 per cent, Mr Lippens believes the other banks and insurers will have difficulty catching up.

Mr Gerard, unsurprisingly, For the private consumer, begs to differ. His company going into a bank branch is has joined Winterthur, the Swiss insurance group, in a bancassurance deal with Banone Bruxelles Lambert. one of Belgium's three largest banks. He says the alliance is at an early stage, but foresees a healthy future. He also believes there may be short-term problems marrying the different cultures, wages and personnel of Fortis and association believes that CGER-ASLE, although in the medium term it is clear he sees Fortis as a tough competi-

tor in bancassurance. As the UPEA points out, Europe's single market initia-tive has "really shaken up the Belgian market". The next few years will reveal how many home-grown insurers are strong enough to survive

Andrew Hill

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tananna baan has Although the 2 father paid by Fortis. the cutton-bursts mancial services group, there than meets the government's for oriversation in 1993, the significannot of the purchase was not so much its size as the speed with which it was achieved and one was in which ideological presentations were pettisoned once the sell-off gut under way.

GGERAS'E meticary of insurance and

The Balgher provinsation programme is modest, malely because Belgium did not half-halfse strpt claimles of its economy often for the sample France and Britain). There is make simply, not much the Belgion got emissent can sell off before it runs up against the political complexities of priverising prescripted and services - sensitive cross which even the British governpoint has his until last.

The statem outro-left coalition took perform a Science only 10 months ago. Followers, now Fill Samuel, the British morehant i ma mid l'etercam Securities of Trasse's, the termination of the coalition esthetical with the publication of a study they had approximating for the first this the tyles of stare holdings in

Facts prove stronger than ideology Belgium at a total of BFr318bn. As Petercam's directors now freely admit, injecting some round figures into the debate seemed

to give energy to a government which had to raise money fast to curb its growing budget deficit. Before that, people had only philosophical debate about it, and we said: let's take philosophy out and find facts," says Mr

Alain Camu, a director of Petercam and

Hill Samuel. Nonetheless, the speed with which the government moved was remarkable. This was no hard-line Thatcherite coalition but an uneasy alliance of Christian Democrats and socialists - not the world's most enthusiastic privatisers. But by Christmas 1992, the government had rewarded Petercam with a mandate to organise the sale of a "significant" part of CGER-ASLK. A hulky "memorandum" on the group was

in April. By the beginning of October, the The only ideological skirmish was fought last year when Mr Jean-Luc Dehaene, the Belgian prime minister.

prepared and sold to five potential buyers

upset his socialist coalition partners by indicating that there was nothing to stop potential buyers purchasing more than 50 per cent in state enterprises. In the end, the legislation governing CGER-ASLK was amended with hardly a murmur from the socialists in September this year, to allow the sale of a majority stake. Fortis now has an option to increase its holding to 50

minister, that Mr Lippens first suggested that Fortis would be interested. In fact, when the interested parties were whittled down to just two, Fortis was the only serious bidder. The other proposal, from Générale de Banque, was to pilot CGER-ASLK to a public flotation.

Petercam points out that the government itself was not directly involved in

Floating CGER-ASLK, or a part of it, might have given new energy to the stock market, but the Belgian government was constrained by its tight timetable and tough targets for privatisation proceeds

BELGIAN BANKING AND FINANCE 4

Andrew Hill reports on the progess of Belgium's modest privatisation programme

per cent from January 1, 1995, and the state holding company can, if it so wishes. sell a further 9.8 per cent to the Dutch-Bel-

gian venture. Mr Maurice Lippens, chairman of Fortis. says the idea of buying the state-owned hanking and insurance group had not occurred to his company before the begin-ning of the year, simply because it was felt that CGER-ASLK was not for sale. It was at a lunch in January with Mr Philippe Maystadt, the Belgian finance

the day-to-day process of privatisation. The advisers dealt mainly with the state holding company, which decided against a flotation, principally because the price would have been unsatisfactory. Petercam points out that the French government's sale of Banque Nationale de Paris to small shareholders, though hailed as a great public relations success, realised only 70 per cent of the state-owned bank's net

Générale de Banque was disappointed

by the decision. Floating CCER-ASLE, or a part of it, would have given new energy to the stock market, the bank argued, benefiting the whole economy. But the Belgian government was constrained by its tight timetable and tough targets for privatisation proceeds - BFr25bn this year. BFr40bn next, BFr10bn in 1995 and the same again in 1996. It did not have time to

prepare a full-scale public flotation.
Given the constraints, is there still a chance of a public flotation in Belgium? Mr Maystadt has always said that Beirracom, the state telecommunications company, might be a candidate for 2 pa sell-off. He is determined that part of Belgacom will be sold, possibly as early as the end of next year.

But the government could face some stiff opposition - both from socialist within its own ranks, and from Mr Bessel Kok, the pugnacious chief executive of NOK, the pugnitures that readying the Belgacon, who argues that readying the for man. European liberalisation of telephone services puts Belgacom vinder enough pressure, without also having be-bear the burden of a quick privatisation.

Busier targets for the next stage of privatisation are the credit institutions, SNCI-NMKN (which offers credit to Belgian indestry through a network of inde-pendent agents), and OCCI-CHIR, a most gage lender. Mr Mayetaft believes SNCI-NMEN will prove interesting to for-eign banks, and superts to begin a public suction before the end of the year.

By contrast, there is growing or versy over the sale of Ste-bild, a state bolding company, one of the most one candidates for privatisation. The Anie besed industrial holding company, future ment & van Hauren, has put togethe interested position. This is more being the

interesons property to the presentation.

The proposed is said to be weeth more contains and to probably the most restaining BF735th and is probably the most restable offer on the bolts. But it is bound to sense the government some headacher. Askermens has indicated that it will let its his lapse If a decision is not taken by the und of the year, and the Belgian finance winds try is said to want at least 190 riche from the sale for its 1995 secounts.

But the sensitivity of some of Misses excity holdings antibly a 60 per o stake in Districts, the Belgius and dis better and markly mountains. waxy over the sele.

A. A. Fiber Vol. Sampras swept to vic-ly file to the European Union ten-graphic appropriate in Antwerp this month, he sisted that a care first prize. lose, doct the standard cheque, Samprose, the manual author one tennis gioner, that a Permandenterusted racouet. it has a test sony to the champion's near worth a may but also to Antwerp's skill in promoting listed as the diamond counts of damage After a sargets't 1641. Answerp is bounc-

flaveding in its designated role this year as Europe's an invalidability the city has devise the suppression of glittering events to shows to the formend made, an industry whose those in Therefore to back to the

Ferbigs the most eye-catching was the with lifting and in from the Treasury" within forter of more than 10,000 carats of elidateros, entre 11s. su, philes and rubies. The problem is to the first Remarkov family of Dosso. There and Thors of Germany, that the law is to the collecbut are noticed and substead families. The direct closes ment attracted there than 1775 misters, a record for missions, a record for Anti-ure read to the Making Coost to the on the control of the piece shortly on the congress. that the provide one of cansection of the forest roads in 1948 4. the Mr Julium Ogilvy-

and the the Consolidated Mines,

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industry had wenth-

Girl's best friend survives a crisis

Antwerp is still the diamond capital of Europe

Prudent intervention by the Central Selling Organisation in London (CSO: the body which regulates the distribution of rough diamonds) had helped to bring supnly and demand in the cutting centres more into balance. Confidence was now returning to the trade, Mr Ogilvy-Thomp-

son told delegates. This view is reflected in the performance of the Belgian diamond market which saw a strong expansion in the 1980s.

Rise in turnover to 153.6m carats was markedly better than the 92.6m achieved in the first of 1992

followed by a period of stabilisation between 1991-2. In the past six months, the market showed signs of a revival.

The chief reasons for the improvement were a recovery in the US; a decline in the supply of illegally mined diamonds from Angola (which continues to be disrupted by the civil wart and preventive action by the CSO to deal with dumping by Russian producers on key world markets.

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The downside for the producers were

tighter margins, cuts in production and multiple lay-offs. In South Africa and Namibia. De Beers laid off 4000 people about 25 per cent of its workforce.

The raw statistics tell a part of the story. Imports of diamonds rose from 65.6 per cent in weight to 87m carats. Measured by value, imports rose by 15 per cent to

Exports showed the same degree of expansion, with volume increasing by 66 per cent to 66m carats. Exports by value rose by 14 per cent to \$4.3bn, with an increase in polished diamond exports to the UK, Germany, Italy, and France, despite the persistent weakness of the European economy.

As a result, the rise in turnover to 153.6m carats was markedly better than the 92.6m achieved in the first of 1992; meanwhile, value increased substantially from \$7.6bn (1992) to \$8.7bn. Of about 45m carats of directly imported rough diamonds of gem quality, 25m - 56 per cent come from the CSO in London.

Antwerp remains the world's most important distribution point for rough diamonds, after the CSO.

It also boasts four of the world's 20 diamond bourses which together form the Federation of Belgian Diamond Bourses: Diamantclub van Antwerpen (which celebrated its centenary this year); Beurs voor Diamanathandel; Antwerpsche Diamantkring; and the Vrije Diamanthandel.

Together, the total membership of the four bourses is nearly 6000, with more than 1200 offices.

They have come a long way since the old polishing factories of the 1860s, many of which were steam-driven. Today, electronic data processing has transformed the operation of the diamond trade and industry, breaking down distances and speeding up communications.

If there is a darker side to the new age, it is that Belgian's diamond industry faces ever tougher competition, particularly from rival centres in the Far East which can exploit lower wages and costs.

Smaller Belgian manufacturers are therefore pressing for regular supplies of rough diamonds which are traded through Antwerp, while others are urging younger members of the industry to come up with new technological breakthroughs to improve competitiveness.

On the other hand, the Far East clearly offers enormous potential as a consumer



market, particularly in China.

Last February the Dismond Floric Conference of the C important foreign exchange exchange

Hilary Clarke watches the wooind of the small investor

Thrifty from the cradle up

Belginm has the highest savings rate among European Union members. Small investors are important people on the country's investment land-

But it is too early to see whether sweeping changes to taxation on investment revennes, agreed by the govern-ment as part of a national plan to increase growth and jobs and balance the Treasury books, will influence small investors' choices. In order to retain the support of its socialist coalition partners, the gov-ernment balanced social security spending cuts by raising

taxes on unearned income. Whether or not their damp, dreary climate is the reason. the average Belgian sets aside 25 per cent of his or her disposable income for a rainy day (according to the Ministry of

Finance). A recent survey by the Inter-national Savings Bank Insti-tute found Belgian thriftiness surpassed only by Japan, Switzerland and Singapore. Each Belgian citizen, the institute found, bas an average of £11,222 stashed away in a bank account.

The large amount of cash sloshing around in Belgium partly results from Belgian tax laws. Belgium still has one of the highest income tax levels in the EU. According to economists, Belgians like to keep their money handy, in case a larger than expected tax hill drops through the letter box. More cynically, bigh taxes means that tax evasion is a national sport - the guilty need to invest away from the

sight of the tax inspector. A Belgian's wealth is staggering. Economists at Génèrale de Banque, Belgium's largest hank, found that the average Belgian household has BF77m (£130,000) invested in property and financial prodncts - increasingly, since the early 1980s, in the latter. According to the 1991 Génèrale de Banque survey, 33.9 per cent of Belgian wealth was invested in property, 66 per cent in savings accounts, gov-ernment bonds, life insurance

The high savings rate in Bel-gium is one of the main reasons why, until recently, the government did not feel compelled to deal with its debt problem. In fact about 80 per cent of government's buge bor-rowings in Belgian francs is owned either directly via the purchase of government bonds, or indirectly through banks investing in government bonds.

Belgians have been purchasing government bonds since the second world war, but before 1990 government bonds were not the obvious choice for the small investor. The products were complicated; it



invest in short-term Belgian franc treasury certificates and

taxes. In order to prevent a capital flow from government

bonds to Sicave, at the same time as it raised its withhold-

ing tax rates, the Belgian government also raised Sicav

entrance taxes. Earthermore, it raised taxes on switching operations within the fund to

1 per cent 6.35 per cent and the duty charged when an investor takes money out of the fund, from 0.5 per cent to

funds between households and

the government is too farge

compared to the amount of

explains Mr Verfaille /Check... Who he?

"Belgians still trust the state to repay and they get a good yield from bonds. Inves-tors, on the other hand, don't trust the Belgian stock manket

because of its illiquidity."

The government would like to inject more dynamium into

the Belgian stock market. Despite a number of well pub-

licised court cases involving minority shareholden in Bel-

gium - including the legal vic-

tory of minority institutional shareholders in Wagon Lit, the Belgian travel firm, forcing Accor, the French hotel chain.

to increase its offer when it

ney invested in husiness."

0.35 per cent.

are exempt from withhold

was difficult for individuals to understand what they were buying. So the government aunched a new two-tier debt instrument system, with linear bonds for larger and institutional investors and bonds sold over the counter directly to retail clients - known as Philippe bonds after Philippe Maystadt, the finance minister, who dreamed them up. Priced at about £2,000, and announced on the radio, Philippe bonds have been very sucful. Even during the Belgian franc's recent roller coaster ride on the foreign exchange markets, small investors remained loyal and

held on to their bonds. "Generally, the small investor doesn't plan to trade his or her bonds, but hangs on to them until maturity. They are not nominative, so even if an owner dies they can be passed on to children," says Mr Jean-Daul Helogne, an economist with Banque Bruxelles Lambert. National investors are also less concerned about the effects of currency fluctua-

The government's decision to increase taxes on the interest earned on bonds and fixedterm interest accounts to 13.4 per cent from 10.3 per cent, part of a package of reforms, is unlikely to dampen the Philippa hond's popularity. The amount by which to raise the tax was carefully negotiated between the banks and the government so as not to spark a capital flight to neighbouring Luxembourg, where there is no withholding tax, but at the same time to increase government revenue.

The economic reforms will also have an inflation-reducing effect, by adjusting the basis on which the consumer price index is calculated, pull-

ing out tobacco, alcohol and diesel oil from the list, adding to the bond's popularity. Another important Belgian financial instrument for the retail investor is the Sicav Capitalisation investment

funds, said to total around

the from the stock market. In fact the first moves against Accor were main by a British shareholder, the Belgians Sallowed afterwards.

Even larger justitutional tors offer lack the todawith Wagons-Lit for a long time, even though the tice was so obvious," se affact in helping minority shareholders, and leaniched the Wagon-Lit minority shareholders' offensive. The interippendence of large investors in Beighess makes it very diffi-cult for the small outsider. Se far, no shareholders have over taken investment funds til act in their interests.

The proposed privatis of Belgacon, the state-one telephone commany, next ye could give the Relgian should be marked a much seeded by matical a much seeded beast especially if it is carried end by a public chare losse (in with British Telecons.)

Mesowhile, in a bid in encourage lavestment enterprises and his Balging firms stay out of debt transmission of debt transmission of debt transmission of the came force and the laborate carriage from house 18.4 per cent, from 35 per cent, as just of the givernment's occasion occasion patterns.

We have a very districted flow of money to the government but they are also paid a lot back in interest. The flow of tax privileges worth about Biriothis, targeted at demantic starcholders - who are, my oidity in the m

They've scored an own go on that one," says Mr The Richards, who smallyses I gian stocks for Smith Net Court in Loudon.

Although the new her their on new inspes may indial appear attractive to sit investors (oversees fact) tional investors will not be fit from the tax re because they almost pages lewer amount), they will be "inherently illiquid, and is the long run their value madid in

Brussels - The right time to invest

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